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WORLDWIDE TOPICS

TWO ASPECTS OF WESTERN CAPITALISM EVALUATED

S & T Competition, Cooperation

Moscow EKONOMICHESKAYA GAZETA in Russian No 32, Aug 86 p 21

[Article by V. Kudrov, doctor of economic sciences, under the rubric "In the World of Capitalism": "Attempts To Shore Up Leadership"]

[Text] What lies behind the United States' persistent efforts to convince its partners to participate in the "strategic defense initiative" program? Doubtless, efforts to form a common front against socialism and against all revolutionary or liberation movements. But at the same time this is a maneuver by American imperialism, one which is aimed at undermining the economic and scientific-technical programs of the United States' trade partners and competitors. A number of major companies in Western European countries have announced their intention of participating in preparations for "star wars," whose preparations promise fabulous profits. But this means that a substantial portion of highly trained personnel in Western European countries and large amounts of money will be diverted from finding solutions to problems which are of vital importance to those countries. As for the prospects of gaining access to American scientific-technical expertise, these appear quite dubious.

The continuing expansion of American transnational corporations, the severe foreign economic and foreign policy course of Ronald Reagan's administration, and the refusal to make concessions to partners are important factors which are changing the look of intra-imperialist competition.

Changes In the Balance of Power

In the quite recent past the balance of power between capitalist countries was rather clearly defined by a limited set of such traditional economic indices as gross national product, total volume of industrial production, exports, and production of steel, iron, metalworking machine tools, cement and grain. At the present stage of the scientific and technical revolution these criteria are no longer adequate.

Today the position of a country in the capitalist world depends on three interrelated groups of factors: level of economic development, production efficiency and the speed with which scientific and technological advances are introduced into production. Of great significance is the ability to swiftly restructure production structures and the production apparatus to keep pace with changing social needs and trends in scientific and technical progress.

The scientific-technical revolution has intensified both the tendency toward equalization of levels and the spasmodic nature of the development of capitalist countries, it was noted at the 27th CPSU Congress. Let us examine for example such a general index of a country's level of economic development as per capita gross internal product. Whereas in 1950 this figure was 42 percent that of the United States in the FRG, 51 percent in France, and 22 percent in Japan, in 1984 this figure was 88, 85 and 80 percent, respectively. The positions of the United States and its competitors had drawn noticeably closer in terms of their volumes of capital investments.

Comparisons based on the capital-labor ratio and available capital also testify to the leveling process taking place in the economic development of the three basic centers of contemporary imperialism. In terms of the capital-labor ratio of its workforce, the FRG has already surpassed the United States, and in terms of volume of capital investment per worker the United States lags behind the FRG, Japan and France.

The gap between the United States and its major competitors with regard to the efficiency of public production, in particular labor productivity, is narrowing. Thus in 1950 this figure was 34 percent of the U.S. level in the FRG, 42 percent in France and 17 percent in Japan. By 1984 this had changed to 77, 93 and 68 percent, respectively. The process of a relative weakening of the United States' positions is also observable in its foreign economic indicators: foreign trade, currency reserves and export of capital.

These economic processes have posed a number of new methodological questions for researchers. In particular, they pose the question of whether these processes signify a weakening of American imperialism or whether new qualitative factors have appeared in the balance of power.

It is felt that the decrease in the United States' share is the natural result of the expansion of its competitors' economic and scientific-technical capabilities. Despite this process, the absolute might of American imperialism has not lessened. What is taking place is only a process of its relative weakening, and this requires commentary in light of a number of new qualitative factors.

Firstly, under conditions in which ties between various economies are being developed, the United States is attempting to specialize in the production of products which are in demand on the world market, in particular high-tech products, and to purchase goods which it would be disadvantageous to produce domestically. Therefore in many cases the United States prefers to obtain various items from abroad, giving up domestic production of those items. Frequently this applies to complex items: the United States continues to produce the principal portion of these, but assigns foreign companies or

branches of its own transnational corporations the production of the remaining assemblies or parts abroad. In the final analysis this international division of labor, which results in a formal reduction of the United States' share in world industrial production, does in fact represent a considerable reinforcement of the United States' commanding position within the capitalist economy.

Secondly, under the present conditions of competition it is not always advantageous to be "first" in terms of scientific-technical progress, to "blaze a trail," so to speak. Often it is much easier and cheaper to be able to quickly master others' inventions and make a profit thereby, rather than being a pioneer and innovator, if major capital investments are required to do so.

Also noteworthy is the rapid growth of so-called risk capital, i.e. pioneering, innovative firms. Many people in the United States see this as an alternative to the Japanese "new industrial policy." Despite almost a decade of active encouragement of the development of this type of capital in Japan, only 32 "risk" firms have been established there. In the United States such firms already number 500. The volume of American "risk" capital exceeds \$14 billion.

Thirdly, the United States usually attempts to compensate for a loss of its positions in one area by an offensive in other areas. For example, the United States has at its command the world's most far-flung network of transnational corporations; these produce goods and services valued at \$1.5 trillion annually, which is equal to almost 40 percent of the U.S. gross national product. The size of this U.S. "second economy" is larger than the economies of such countries as the FRG, France, and England by a factor of two or three, and is only exceeded by that of Japan. The United States controls over 20 percent of exports of high-tech products within the capitalist world, as well as over 50 percent of the market in information processing equipment.

In the struggle for economic and scientific-technical leadership the United States relies chiefly on preserving its edge in the area of theoretical basic research and total expenditures for research and development (R&D). In 1985 U.S. expenditures for R&D were \$107 billion, as opposed to \$30 billion in Japan (expenditures in Common Market countries were slightly more than in Japan).

A significant portion of scientific research is financed by the military. For instance, according to American estimates, the final cost of the "strategic defense initiative" program (SDI) could come to two trillion dollars. A substantial portion of this sum would be spent to finance scientific research.

In contrast to Japan and Western European countries, the United States has a fully developed basic research base at its universities. Almost \$12 billion per year are spent for this purpose, which is three times more than in Japan, for example.

The United States has begun to utilize new organizational forms which are designed to strengthen the positions of American firms in the scientific-

technical realm. Thus, together with increased attention to basic research, which has traditionally been conducted by American universities in the field of microelectronics, 12 of the largest U.S. corporations, including Control Data, Honeywell, Motorola and Radio Corporation of America in 1982 founded a research corporation dealing with microelectronics and computer equipment and technology. Participating firms send their leading scientists to this corporation to do theoretical research there.

A group of 13 American producers of microcomponents and computers has set up a new research consortium, the Corporation for Semiconductor Research. Among these companies are Control Data, Digital Equipment, Hewlett-Packard, IBM, Intel and Motorola. Unlike the one mentioned above, this corporation does not conduct research itself, but rather organizes studies to be conducted at universities.

The positions of American firms in the competitive struggle have been reinforced thanks to weakening of antitrust legislation, which has created favorable conditions for further centralization of capital. This sort of legislation exists neither in Japan nor in Western Europe, and firms there can undertake united efforts against their American competitors. At the present time opportunities in this direction are obviously improving in the United States, since company mergers which were once forbidden have taken place.

An untapped resource for accelerating scientific-technical progress in the United States is also seen in the development of small business. Whereas in the mid-1960's there were five million small and very small firms in the United States, today they number over 10 million. Many American economists are of the opinion that the larger the firm, the less innovations it makes. In particular it has been asserted that as production and sales volume increases inventions and innovations become a less important matter in comparison to concern for greater financial might, raw material supply and improvement of administration and marketing systems. In the opinion of these economists, the mechanism of a major corporation which is oriented toward mass-scale, standardized and narrowly specialized production is not suitable for the introduction of technical innovations.

Despite the obvious successes of the Western European countries and especially Japan in economic and scientific-technical competition, American imperialism has been successful in developing its general superiority in the field of microelectronics, computers and instrumentation, not to mention its dominance in aircraft construction and the chemical industry.

The United States is considerably ahead of its competitors in terms of the development and dissemination of new and more economical energy sources and energy-saving equipment and technology, and in terms of exports of high-tech goods and agricultural products, in the fields of space technology, information technology, and equipment for marine development.

Under conditions of increasing economic and scientific-technical competition, the United States has resorted to additional methods of putting pressure on its partners. In addition to the traditional instruments -- increased competitiveness of its goods and acceleration of scientific and technical

progress -- American imperialism is making ever wider use of noneconomic means, in particular military and political pressure.

With Both Promises and Threats

Under the pretext of defending the interests of the "free world" from the "Soviet threat" and shoring up "Atlantic solidarity," the United States is attempting to safeguard its leadership position and subordinate its allies to itself in the resolution of a number of specific economic issues pertaining, in particular, to trade and financial relations with socialist and developing countries.

Concrete expression of this tendency is found in the tightening of control over the export of advanced technology to socialist countries through COCOM and in the "strategic defense initiative" program. Appealing to its allies to participate actively in preparations for "star wars," President Reagan has promised them not only enhanced security, but also access to "advanced American technology." He also did not fail to give a warning: Western Europe and Japan, the American side pointed out, will be left behind in terms of scientific and technical progress if they do not participate in the program to militarize outer space.

Under present-day conditions, as was noted at the 27th CPSU Congress, whenever agreement is reached between the positions of the three centers of imperialism this is more and more often the result of American pressure or overt dictates.

Of course, there has not been and cannot be any truce in the struggle between the imperialist plunderers, because the contradictions between them are rooted in the very foundations of the capitalist economic system. And as long as capitalism exists this struggle is inevitable.

A combination of competition and conflicts between the three basic centers of contemporary capitalism over specific aspects of economic development, scientific and technical progress and economic policy with obvious unification of efforts in order to achieve common strategic objectives is the reality of our times.

Poor Industrial Performance

Moscow EKONOMICHESKAYA GAZETA in Russian No 33, Aug 86 p 21

[Article by N. Sergeyev and G. Zotov, candidates of economic sciences, under the rubric "Survey": "Along A Downward Curve: The Economy In Industrially Developed Capitalist Countries During the First Half of 1986"]

[Text] In May the heads of the states and governments of the seven leading capitalist countries at their regular meeting in Tokyo came to the optimistic conclusion that "there exist prospects for and confidence in more favorable development" of the capitalist economy.

Participants in the Tokyo conference were not disheartened either by the already at that time worsening situation in the United States, or by the sharp slump in Japanese economic activity, or by the sluggish, lethargic state of the economies of many Western European countries. The time which has elapsed since the May meeting has shown that this cheerful optimism on the part of the leaders of the capitalist world was unfounded.

Slowdown In Economic Activity

Figures are the best testimony to the distance between expectations and reality. In February of this year, in the U.S. President's economic message to the Congress, it was stated: "We expect an increase in the growth of the gross national production by up to four percent in real terms during 1986, and a continuation of this growth during 1987 and 1988..." The real picture has turned out somewhat differently. During the first six months of this year the U.S. gross national product (GNP) increased by not more than two percent as compared with the same period in 1985, i.e. by roughly one-half the amount expected by the Administration. "The U.S. economy is barely dragging itself along," remarked FORTUNE magazine.

Under these conditions, attempts have been made to "get the economy moving" with the aid of credit and/or financial levers. The discount rate for banks in the Federal Reserve system has been lowered three times already this year. In this way the Administration is attempting to increase demand artificially, and by doing so have an effect on production. But in the opinion of a number of American observers this step, which is fraught with negative side effects, can according to the best scenario only "halt the worsening of the economic situation."

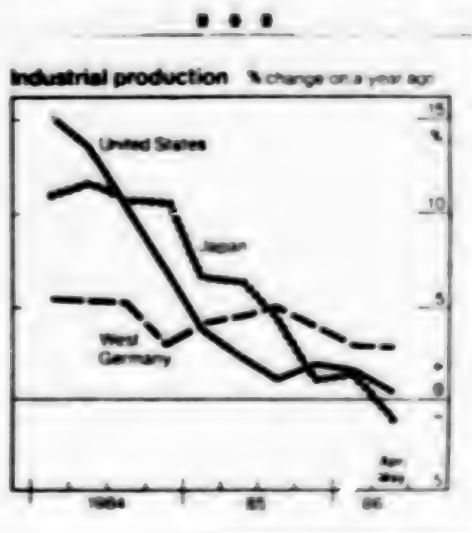
During the first months of this year a slump astounded the Japanese economy, for which high growth rates had previously been typical. According to official figures, the country's gross national product for the January-March period of 1986 declined by .5 percent as compared to the preceding quarter, although it did show a small amount of growth as compared to the same quarter in 1985. This is the first absolute decrease in the Japanese GNP in the 11 years since 1974. The Japanese press is writing with alarm that government predictions of four percent growth during the 1986 fiscal year will only be realized by half.

The growth rates of the U.S. and Japanese economies turned out to be even lower than those of Western European countries, whose economies have been experiencing sluggish activity for a number of years now, a condition which has been labeled "Eurosclerosis" by the press. Growth in the GNP during the first half of the year in the region's principal countries varied from one percent in France to three percent in the FRG, as compared to the same period last year.

Analyzing the state of the economy in capitalist countries over a long period of time, many Western economists have been forced to acknowledge that the problems faced are not just temporary, but rather chronic ones.

Fluctuating Industrial Production

According to preliminary estimates, production of industrial goods in developed capitalist countries during the first half of 1986 increased by not more than one percent as compared to the same period in 1985, when the growth rate was roughly three percent. In the United States the growth rate of industrial production during the first half of the current year as compared to the same period in 1985 was approximately one percent, while in some months no growth at all was observed. The well-known U.S. economic organization Conference Board has noted a sharp worsening of the situation by mid-year in the petroleum, mining and construction industries. These sectors, indicates Conference Board, are planning a radical reduction of capital investments, which cannot help but be reflected in the country's overall economic climate.



This is a diagram from the magazine THE ECONOMIST illustrating the decline in industrial production growth rates in the most important capitalist countries. The solid line denotes the decline in the United States' industrial production. The dotted line gives the same index for Japan. Judging by the diagram, a process of direct reduction of the industrial production volume has begun in those countries. The dashed line indicates weak activity by West German industry.

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This worsening of the situation in the capitalist world's industry has been graphically demonstrated in the field of machine building. During the January-June period expansion of the production of machines and tools slowed, according to estimates, by from 1.5 to two percent, whereas one year before, riding the crest of the post-crisis revitalization, its growth rate had been 10 percent. The most critical situation during the past months was found in the civilian branches of the U.S. machine-building industry. During the first half of the year production of passenger cars, for example, declined by four percent.

American economists and a significant portion of the press are sounding the alarm about the poor outlook for industrial production in the United States. In the processing industry orders are declining, except orders for military hardware. "The industrial sector of the economy is stunned by this slump, and there are no signs that the situation will change," writes BUSINESS WEEK.

Production volume in Japan's processing industry during the first half of the year was only .3 percent higher than for the same period last year, when growth rates reached 4.5 percent. Its production of machines and tools exceeds last year's levels by only 2.5 percent, and the situation has worsened sharply even in high-tech sectors aimed at the export market. This slump in the Japanese economy is primarily the result of a reduction in exports due to the falling value of the dollar. In the opinion of Western economists, the unfavorable export outlook will continue to cause sluggish activity in many branches of Japanese machine building until, in all probability, the middle of next year.

In the machine-building industry of a number of Western European countries stagnation and even an absolute decrease in production has been observed. In France and Italy production has remained at the level of the first half of last year. In Great Britain, production of machines and tools has decreased by one percent. Only in the FRG has the production of machines and tools increased, by five percent.

An unfavorable situation persists in the area of firms' investments in expansion and renovation of enterprise. The poor outlook for product sales and large reserves of unused capacities for which there is no need are dissuading firms from making capital investments and are having a depressive effect on the entire economy. In the United States, underutilization of plant capacities increased from 19 percent at the beginning of the year to 22 percent by mid-year. Unutilized capacities increased in Japanese industry. In the United States, in the opinion of experts from the Organization for Economic Cooperation and Development (OECD), which has as members the developed capitalist countries, growth in private investments in machines, tools and production-related construction will not be more than two percent during the current year. However, even this low estimate seems to be inflated. Actual data for the first quarter indicate that production investments have remained at the average level for the preceding year. In Japan, growth of private capital investments has long been following a downward curve. During the third quarter of 1985 these increased by 3.7 percent, during the fourth quarter by 2.5 percent, and during the first quarter of 1986 by a mere .3 percent.

In light of these conditions, the ruling circles in capitalist countries are attempting to spur on the economy by means of all-round expansion of military production. In the United States, military expenditures for the 1986 fiscal year (which ends on 30 September) were \$265.5 billion (27 percent of the total U.S. budget), and in the 1987 fiscal year they will increase to \$292.2 billion. In Japan, the government has approved an "economic revitalization" program, the basis for which are increased expenditures for military purposes. In the FRG, military allocations will increase to 51.3 billion Deutsche marks in 1987, and together with hidden military expenditures under other items in

the budget will total 80 billion Deutsche marks (these figures equal, respectively, 19 and 29 percent of the total budget).

The monopolies in the military-industrial complex receive gigantic profits from such a massive arms race as this. However, on the whole the economy reacts to this sort of "fattening up" in quite a different fashion than the centers of imperialism expect. The growth of military production occurs at the expense of the civilian sectors of the economy. Furthermore, it is military expenditures which are the cause of chronic deficits in government budgets. Thus the U.S. budget deficit for the current fiscal year, according to available estimates, will once again exceed \$200 billion.

This once again belies propaganda fairy tales about the "beneficial" effect of military production on the economy. It merely complicates the economic situation and is a heavy burden for the working people to bear.

Disproportions and Contradictions In the Foreign Sphere

One of the main objectives of economic "recovery" in the capitalist world, as formulated in summaries of summit conferences among the "Big Seven," is to eliminate trade and payment imbalances, which are particularly profound in the United States - Japan - Western Europe triangle. However, "the serious imbalance in international exchange continues to trouble the economies of OECD countries, and leads to rifts and increasing pressure in favor of protectionism," states an OECD report published in May of this year.

The U.S. trade deficit for goods and services increased from \$69 billion in the first quarter of 1985 to \$84 billion during the January-June period of the current year. On the other hand, Japan's positive trade balance increased during the first quarter to \$34.8 billion, as compared to \$17.6 billion one year ago. In the first half of the current year the FRG's positive trade balance reached \$21 billion dollars, as compared to \$10 billion for the period of July-December 1985.

The United States is introducing more and more new protectionist measures and sanctions directed against its trade partners. In 1985 the U.S. Congress introduced over 300 bills and proposals aimed at banning or limiting the importation into the United States of goods from Western European countries, Japan and the developing countries. A portion of these bills were passed, and discussion of others continues. In the past few months of the current year study of a new trade bill has been underway. This document is envisioned as a wide-ranging set of aggressive foreign economic policy measures. Intensive preparations for imposing on Japan "voluntary" limitations on the export of machine tools to the United States are being conducted at this time.

According to estimates by OECD experts, the imbalance in payments for current operations in the leading capitalist countries increased during the first half of 1986. During the first quarter of this year the deficit in the U.S. balance of current operations reached \$33.7 billion, as compared to \$26.1 billion for the first three months of 1985, which was the country's worst

quarter, a time when its negative balance of payments exceeded \$118 billion. Judging by the totals for these first months, the 1986 deficit may not be any smaller.

Foreign exchange relations between countries in the capitalist world are chronically unstable. By June of the current year the U.S. dollar had slipped in relation to the other leading Western currencies from the level it reached at the beginning of last year by from 30 to 40 percent, including losses of 40 percent against the Japanese yen and 36 percent against the West German mark. The United States has long manipulated the dollar exchange rate for its own purposes and to the detriment of both its allies and the developing countries. For this reason it is now blocking reform of the international capitalist currency system, which could at least partially limit unpredictable rises and falls in the dollar exchange rate.

* * *

The strained economic situation in capitalist countries has had a severe effect on working people. The constant problem of unemployment has taken on an ever more acute nature. Over 30 million people cannot find work, including a growing percentage of individuals who make up the "stagnant" unemployed, i.e. those who have been without work for over a year. As before, finding employment is most difficult for young people, women and the elderly.

In a number of countries, workers' real income is decreasing. For instance, in the United States this figure is currently 14 percent lower than at the beginning of the 1970's.

Evaluating the outlook for development of the socioeconomic situation in capitalist countries, Western commentators have come to pessimistic conclusions. A typical example of this is the opinion of the organ of U.S. business circles, the WALL STREET JOURNAL. According to that newspaper, the slump in the American economy, combined with movement by other countries toward stagnation, forebodes "a serious crisis in global economic (capitalist -- author's note) policy."

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SOCIALIST COMMUNITY AND CEMA AFFAIRS

USSR-CEMA CONSUMER GOODS TRADE

Moscow FOREIGN TRADE in English No 7, Jul 86 pp 8-11

[Article by Valentin Zenin, Cand. Sc. (Econ.): "The Soviet Union's and CEMA Countries' Trade in Consumer Goods"]

[Text]

The long-term plans of socio-economic development approved by the 27th CPSU Congress will improve the Soviet people's well-being. The resources diverted for this purpose over the next 15 years, will be doubled. Real per capita incomes are scheduled to rise 1.6-1.8 times. The main idea of the Comprehensive Programme for the Development of the Production of Consumer Goods and the Sphere of Services is to saturate the home market with such goods and extend the servicing sphere. This Programme stems from the Guidelines for the Economic and Social Development of the USSR for 1986-1990 and the Period Ending in 2000.

In keeping with the objective of the Soviet Union's accelerated socio-economic advancement based on scientific and technological progress the Comprehensive Programme provides for not less than a 1.3-fold increase in consumer goods production by 1990 and a 1.8-1.9-fold increase by the year 2000 as compared to the 1985 level. In 1990 the light industry will be producing 103,000 million rubles' worth of consumer goods (retail prices) as against 85,000 million rubles in 1985. The respective figure for the year 2000 will be 142,000 million rubles. Faster output growth rates will be characteristic of the production of garments, children's, middle-aged men's and ladies' footwear, mixed textiles, non-woven and knitted fabrics.¹ Outstripping rates are envisaged for the production of cultural, household and general-purpose goods. Special attention will be paid to increasing the

manufacture of household appliances which facilitate house-keeping and save time. With this aim in mind a transfer from the production of separate articles to complexes of machinery and equipment will be made as this will more adequately satisfy public demand. In 1990 some 77,000 million rubles' worth of cultural, household and general-purpose goods are to be produced. In the year 2000 the respective figure will run between 113,000 and 119,000 million rubles, 2-2.1 times more than in 1985.²

Owing to the constant attention paid by the CPSU to light industry's modernization based on scientific and technological progress our country ranks first among the CMEA nations as a producer of consumer goods. Annually, the Soviet Union turns out the following amounts of the CMEA production of individual consumer goods (percentage): knitted garments, 48; leather and imitation leather footwear, 57.5; knitted underwear, 59; and hosiery, 64.5. Its share in various durables is also considerable: washing machines, 64.4; sewing machines, 65.5; refrigerators, 67.8; radios, 68.3; tape recorders, 73.7; TV sets, 76.8; and wrist watches, 90.8.³

Many factors, including the continuously expanding consumer goods production in the Soviet Union, adequate supplies of raw materials for the light industry and its solid scientific and productive potential, ample supplies of durables for the Soviet people and the CMEA member-countries' diversified and well-developed industry with its own rich traditions of producing a wide range of consumer goods, supply all the objective prerequisites for the stable expansion of consumer goods exchange between the Soviet Union and the CMEA nations.

The pattern of the Soviet-CMEA countries goods exchange depends on the changing consumer demand and corresponds to general world trends. The rising living standards in the CMEA countries and large-scale housing construction have stimulated an ever mounting demand for durables (TV and radio sets, furniture, refrigerators, washing machines, etc.). Simultaneously, the demand for cottons and wools has settled and even decreased, but the demand for garments, specifically, knitted goods, leather footwear and new consumer goods grows.

Since the 1970s Soviet exports of industrial consumer goods to the CMEA countries have been

increasing very quickly. From 1970 to 1984 they went up 5.2 times. Deliveries of cultural and household goods over the same period registered a 6.1-fold increase.

Table 1

Soviet Exports of Some Industrial Consumer Goods to the CMEA Countries

	Units of measurement	1970	1975	1980	1984
Cultural and household goods, including:	mln.rubles	97.1	294.1	432.2	595.3
Fabrics	mln.metres	43.5	78.9	113.1	77.1
Medicines	mln.rubles	17.1	47.3	30.8	72.2
Household refrigerators	000' pieces	69.6	315.3	347.3	717.0
Clocks and watches	mln. pieces	5.1	6.3	9.6	10.1
Cameras	000' pieces	317.4	598.1	679.6	573.6
TV sets	"	53.1	388.9	470.2	674.0
Radio sets	"	771.0	1104.8	826.9	871.2
Bicycles	"	329.1	793.2	940.7	944.5

Estimated from: *USSR Foreign Trade, Statistical Yearbook for the respective years*, Moscow, Finans i statistika Publishers.

The Soviet Union becomes the world's largest exporter of time pieces, TV and radio sets, cameras and refrigerators. The bulk of its exports goes to the CMEA countries. For example, in 1981-1984 Soviet exports of the above goods were worth 2,400 million rubles, 2,100 million rubles' worth of them went directly to the CMEA countries. In the four years of the last five-year plan period the Soviet Union exported to the CMEA countries the following quantities of products: refrigerators, 1,955,000; TV sets, nearly 2,300,000; cameras, 2,900,000; radios, 4,100,000; clocks and watches, 40,500,000; etc.⁴

In many instances Soviet exports of household equipment and devices are decisive in meeting the CMEA countries' requirements for individual goods. For example, although today Bulgaria, Hungary and Poland manufacture annually 113,000, 338,000 and 587,000 TV sets respectively, their imports of Soviet-made TV sets exceed 132,000, 67,300 and 139,000. Hungary and Poland produce 382,000 and 537,000 refrigerators and im-

port from the Soviet Union 125,000 and 241,000. Poland and Czechoslovakia import from the Soviet Union 404,100 and 11,200 cameras against their own production of 14,200 and 7,400. As to radios the figures are as follows: Bulgaria manufactures 40,100 and imports 41,000; Hungary, 89,200 and 231,200; and Czechoslovakia, 303,000 and 244,000; etc.⁵

Soviet exports help CMEA countries meet their import needs for certain consumer goods as follows (percentage): sewing machines, 93; refrigerators, 90; washing machines, 97; TV sets, 75; cameras, 90; medicines, 71; etc.⁶

In its turn the Soviet Union has been a long-standing large importer of many consumer goods from the CMEA countries.

Table 2

Soviet Imports of Some Industrial Consumer Goods from the CMEA Countries

	Units of measurement	1970	1975	1980	1984
Fabrics	min.metres	83.0	108.1	117.7	111.4
Garments and underwear	min.rubles	411.3	643.9	927.3	1,096.7
Leather and imitation leather					
haberdashery	min.rubles	51.5	96.5	128.9	173.1
Leather footwear	min. pairs	37.1	48.5	47.9	39.7
Furniture	min.rubles	169.9	279.3	353.0	496.6
Medicines	"	144.2	239.7	441.5	928.8
Soap, perfumes and cosmetics	"	42.3	60.8	155.7	247.9

Estimated from: *USSR Foreign Trade. Statistical Yearbook for the respective years.* Moscow, Finans i statistika Publishers.

In 1971-1975 the Soviet Union purchased from the CMEA countries 9,500 million rubles' worth of industrial consumer goods. In 1976-1980 the figure rose to 15,300 million rubles. The past five-year plan period witnessed a substantial rise in Soviet individual consumer goods imports from the CMEA countries. In the four years of the last five-year plan period they were (in million rubles except footwear): garments and underwear, 3,257.5; knitted goods, 1,211; haberdashery, 668.7; furniture, 1,809.5; medicines, 2,988, and leather footwear, 167.4 million pairs.

How important these imports are for the Soviet Union can be seen from the fact that some 20 per cent of retail stocks in footwear and 15 per cent in furniture and garments come from these sources.⁷

A study of the Soviet-CMEA countries consumer goods exchange brings certain conclusions. The growth rates of the above exchange over 1970-1984 were slower than those of the overall Soviet-CMEA countries trade turnover. The latter increased 5.9 times over the stated period, whereas the former rose 3.7 times which indicates that the specific share of consumer goods in the overall exchange between the Soviet Union and CMEA nations is not in line with the sides' potentials or demands.

In their specialization the exchanges follow a certain pattern. The Soviet Union appears as a major exporter of durables, mainly, TV sets, refrigerators, washing machines, time pieces, vacuum cleaners, cameras and sewing machines. The other CMEA countries produce various consumer goods to satisfy their own and other CMEA countries' requirements. They specialize in making and exporting the following commodities: Bulgaria—textile goods and garments; Hungary—leather footwear, cotton and silk fabrics, garments and medicines; GDR—silk fabrics, garments and underwear, furniture; Poland—woollen fabrics, garments, furniture and medicines; and Czechoslovakia—glass and porcelain ware, pottery, furniture, leather and rubber footwear, and bijouterie.

To improve the CMEA countries' supplies of better quality consumer goods and extend cooperation in this area, the 33rd CMEA Session adopted a specific long-term programme. To realize this programme the member-countries signed numerous multilateral agreements, specifically, on cooperation in expanding the manufacture of furniture fabrics and top-quality artificial furs, furniture and accessories, as well as in designing and mass-producing new up-to-date refrigerators, freezers, automatic washing machines and assemblies and parts for them, etc.

The CMEA Summit Economic Conference outlined the guidelines for increasing the member-countries cooperation in consumer goods production and the joint measures to be taken to ensure adequate supplies of raw materials for their manufacture, to retool and update the relevant enterprises, to achieve

the needed output of these goods for mutual deliveries, to extend the cooperated manufacture of durables, and to increase the exchanges of high quality consumer goods.⁸

A central problem in enhancing the CMEA countries' light industry production is the supply of raw materials. A very important contribution to solving this problem is made by the Soviet Union. For instance, in 1976-1980 the Soviet Union delivered to the CMEA countries 2,301,000 tons of raw cotton, 5,100 tons of wool (on the base of washed wool), 98,900 tons of staple fibre and one million raw hides.⁹ Over 1981-1984 the respective figures were as follows: raw cotton, 2 million tons; staple fibre, almost 100,000 tons; and raw hides, over 1.4 million.

The CMEA countries also import from the Soviet Union timber and petrochemicals to make artificial and synthetic fibres, thread and leather for the light industry. At the same time as the longer-term prospects of raw materials imports from the Soviet Union are known to be limited it becomes urgent to extend mutual cooperation in the production and exchange of raw chemical and other materials and in the use of secondary resources and material-saving technologies and techniques in consumer goods manufacture.

CMEA countries carry out wide exchanges of chemical fibres based on their specialized production by certain member-countries. For example, Hungary specializes in producing polyacrylonitrile fibres, Poland in polyester fibres (the elan type), Bulgaria in viscose (artificial) fibres; Czechoslovakia in polypropylene fibres, etc. Most active in promoting international specialized manufacture in this field is the CMEA countries' international economic association Interchimvolokno. Within its framework the member-countries cooperate in building new capacities to overcome shortages of some chemical fibres. It is also planned to extend the specialized manufacture of large and small-tonnage types of chemical fibres.

Prospects of the CMEA countries' cooperation in manufacturing machines for the light industry are pre-set for the period ending in 1990 by the major objectives of long-term specific programmes of cooperation (LSPC) for the industrial consumer goods production. Several member-countries have

already embarked on forms of specialization which suit the specifics of their light industries and technologies, including the adopted advanced scientific and technical solutions, and the standards of their engineering industries. For example, the GDR specializes in machinery and equipment for making knitted goods, synthetic fibres and leather, non-woven materials and carpets, as well as industrial equipment. Poland manufactures wool-weaving equipment and machinery for the flax industry. Czechoslovakia specializes in manufacturing various equipment for the textile industry (spinning, knitted goods production, weaving) and for the shoe-making, furniture and synthetic leather industries. Hungary makes equipment for the garment and leather haberdashery industries. Romania produces equipment for the manufacture of synthetic fibres and imitation leather, and machinery for the furniture industry. Bulgaria specializes in equipment for the leather footwear and fur industries.¹⁰

This specialization has increased the production of the required machines to ensure their adequate supply to the consumer goods industries, has put the CMEA countries' engineering potential to better use and enlarged the exchange of this group of commodities.

As indicated in the proceedings of the 27th CPSU Congress, the CMEA countries are expected, in fulfilling the decisions of their Summit Economic Conference, to step forward and further develop socialist economic integration through expanding their specialized and cooperated manufacture. This integration activity will be concentrated on the joint introduction of the latest scientific and technological achievements into industry and the development of large-scale cooperated production, primarily, of up-to-date machines and equipment.

On the agenda is the drawing up of programmes on scientific and technological cooperation, and agreements on specialization and cooperation in the production of equipment and automated lines as well as programmes on the unification, typification and standardization of equipment for the sectors manufacturing consumer goods.

Increasing importance is attached to the CMEA countries' multilateral cooperation in developing new types of consumer goods, in modelling and designing as well as significantly improving their

quality. One of the numerous examples of this is the Programme of multilateral cooperation in developing and mass-producing new types of colour TV sets and separate units of equipment for colour television approved at the 36th CMEA Session. Joint work is under way based on the CMEA countries' growing international specialized and co-operated production on developing new types of colour TV sets, cable television systems, equipment for receiving television and radio programmes from Earth satellites, home video-recording and reproducing systems, professional (studio) and non-professional colour television equipment, television retransmitters, and ancillary special technological and measuring equipment. The Programme also provides for cooperated manufacture and mutual deliveries of assemblies and sub-assemblies for colour TV sets.

The Guidelines for the Economic and Social Development of the USSR for 1986-1990 and for the Period Ending in 2000 approved by the 27th CPSU Congress, envisage the CMEA countries' greater participation in retooling the Soviet Union's light industry. The first intergovernmental agreements on such matters were signed by the Soviet Union with the GDR and Hungary back in 1982. Under these agreements some 40 Soviet enterprises are to be modernized and reconstructed with the latest technologies and techniques and advanced methods of organizing labour. These include 11 garment factories, among them Cosmos, Chaika and Zhenskaya Moda in Moscow, Pervomaiskaya Zarya and Tribuna in Leningrad, Mayak in Lvov and a factory in Tbilisi, as well as other knitted goods, garment, silk, cotton and leather footwear enterprises.¹¹

GDR-made equipment will be used in reconstructing the Kapranov shoe factory in Moscow to turn out almost three million pairs of children's shoes per annum. The USSR-GDR agreement also provides for the reconstruction of three men's garment factories in Yerevan, Pyatigorsk and Tashkent.

Czechoslovakia also takes part in reconstructing several Soviet light industry and food enterprises, specifically, a tannery in Yerevan, a shoe-making complex in Voroshilovgrad and a knitted cloth factory in the city of Zhodino.¹²

The reconstruction and modernization of Soviet enterprises will favourably influence consumer

goods production in the Soviet Union and their increased exports to the other CMEA countries. This form of cooperation also helps direct contacts to be established between related enterprises and improves their specialization.

¹ Comprehensive Programme for the Development of the Production of Consumer Goods and the Sphere of Services for 1986-2000, Politizdat Publishers, Moscow, 1985, p. 14 (in Russian).

² Ibid., p. 15.

³ Estimated from *Statistical Yearbook of CMEA Member-Countries*, Finans i statistika Publishers, Moscow, 1984, pp. 83-85, 100-102.

⁴ If not stated otherwise, the estimates are taken from the *USSR Foreign Trade Statistical Yearbooks* for the respective years.

⁵ *USSR Foreign Trade in 1984*, Statistical Yearbook, Finans i statistika, Moscow, 1985, pp. 76-78; *Statistical Yearbook of CMEA Member-Countries*, Moscow, 1985.

⁶ *Voprosi Ekonomiki*, 1985, No. 9, p. 114.

⁷ *Kommunist*, 1983, No. 7, p. 75.

⁸ *Pravda*, June 16, 1984.

⁹ *Economic Cooperation of the CMEA Member-Countries*, 1983, No. 5, p. 26.

¹⁰ L.S. Korsikova, S.P. Petukhova, *Industrial Consumer Goods: CMEA Countries' Production and Cooperation*, Nauka Publishers, Moscow, 1985, p. 45 (in Russian).

¹¹ *Foreign Trade*, 1982, No. 12, pp. 30-34; *Foreign Trade*, 1983, No. 2, p. 17; *Pravda*, 1982, Oct. 8; Dec. 12 and 20.

¹² *Foreign Trade*, 1984, No. 3, p. 7.

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SOCIALIST COMMUNITY AND CMEA AFFAIRS

COMMERCIAL ARBITRATION IN CMEA COUNTRIES

Moscow FOREIGN TRADE in English No 7. Jul 36 pp 42-46

[Article by Prof Vladimir Pozdnyakov: "Commercial Arbitration in the CMEA Countries"]

[Text]

In the member-countries of the Council for Mutual Economic Assistance, arbitration is invariably recognized as the most acceptable form of settling disputes arising in the sphere of international trade. Their positive attitude to commercial arbitration is reflected in the legislations of the socialist countries and in the activity of their economic organizations. That is why the overwhelming majority of the disputes between organizations of the CMEA members and also between these organizations and their partners in other countries is settled through arbitration. Of course, reference is made here to disputes which the parties could not settle by direct negotiation.

The legislations of the CMEA countries permit consideration of disputes in the sphere of international trade by way of *ad hoc* arbitration. In practice, however, this way of settlement is a rather rare case. Basically, disputes are submitted to standing arbitration courts set up in each of the CMEA countries.¹ The oldest of these is the Foreign Trade Arbitration Commission (FTAC) at the USSR Chamber of Commerce and Industry in Moscow, which was set up in 1932. In 1949, arbitration courts (commissions) were set up in Poland and Czechoslovakia, in 1953 in Bulgaria, Romania and Hungary, in 1954 in the GDR, in 1961 in Mongolia, in 1964 in Vietnam, in 1965 in Cuba.

The legal status of the foreign trade arbitration courts (commissions) in the CMEA countries is determined differently: in Vietnam, Cuba, Romania, the USSR and Czechoslovakia by acts of the higher organs of state power; in Bulgaria, Hungary, the GDR, Mongolia and Poland by decision of the chambers of commerce without any legislative approval. The legal status of FTAC is determined by the Statute approved by a Decree of the Presidium of the USSR Supreme Soviet of April 16, 1975; this Decree was

subsequently endorsed by the Law adopted at the session of the USSR Supreme Soviet on July 9, 1975.

What is common to all these acts is that they recognize arbitration courts as autonomous legal institutions not included in the system of judicial, administrative or any other state organs. They function at chambers of commerce, which are public (non-state) organizations called upon to promote foreign trade. In most countries the chambers approve the rules of procedure (consideration of disputes) for arbitration courts, make lists of arbitrators and give arbitration courts technical assistance (provide premises, accounting and other services).

The above acts determine the competence of arbitration courts: settlement of disputes arising from contractual or any other civil law relations in the area of international trade. Most arbitration courts consider only disputes between organizations of a given country and their partners abroad, and also disputes between foreign organizations and firms. The Arbitration Court at the Hungarian Chamber of Commerce also considers disputes between Hungarian enterprises provided the Hungarian legislation permits consideration of relevant disputes by an arbitration tribunal.

The jurisdiction of arbitration courts is determined by the written agreement of parties in dispute. Arbitration agreement may also be expressed in the form of concluding actions: the lodgement by the plaintiff of his claim and the performance by the defendant of actions testifying to his consent to submit to the jurisdiction of the arbitration court (for instance, the presentation of his explanations concerning the claim).

There is, however, one important exception to this general provision: the jurisdiction of arbitration courts in the CMEA countries also covers disputes which are referred to their consideration by virtue of international agreements. Among these is the Convention on the Settlement by Arbitration of Civil Law Disputes Arising out of Relations of Economic, Scientific and Technological Cooperation. It was signed in Moscow on May 26, 1972, and is therefore referred to as the Moscow Convention of 1972. The signing of the Convention was a result of the implementation of the Comprehensive Programme for the Further Extension and Improvement of Cooperation and the Development of Socialist Economic Integration by the CMEA Member-Countries of 1971. This Programme envisaged, in particular, the convergence and unification of rules for considering disputes in the national arbitration courts set up at chambers of commerce. The signatory countries to the Moscow Convention are Bulgaria, Hungary, the GDR, the Republic

of Cuba, Mongolia, Poland, Romania, the USSR and Czechoslovakia.

Under the Convention, all disputes between economic organizations of the signatory countries arising from their contractual or other civil law relations in the course of their economic, scientific and technical cooperation are subject to consideration in arbitration courts, and such disputes are not within the jurisdiction of state courts of law. Thus, an obligatory procedure was established for considering disputes by way of arbitration, a phenomenon previously unknown in the practice of international commercial arbitration.²

The above-said disputes are subject to examination in the arbitration court set up at the chamber of commerce of the defendant's country. Parties in disputes, however, have a right to depart from this rule. They may agree to refer their dispute to the arbitration court at the chamber of commerce of a third country, signatory to the Convention, as well as (depending on the nature of the dispute) to the specialized arbitration court of a country, signatory to the Convention (for instance, to the Court of Arbitration of the Cotton Association or to the Court of Arbitration at the Gdynia Wool Federation).

The Convention provides for certain exemptions from the general rule concerning the obligatory arbitration procedure for examining the above-said disputes. For instance, disputes cannot be referred to arbitration if they are within the exclusive competence of state courts of law by virtue of international agreements (for instance, the Agreement on the International Carriage of Goods by Rail signed between the socialist countries in 1951). The Convention is not applicable to disputes which, in accordance with national laws in force at the moment the Convention was signed, were within the exclusive competence of judicial or other state organs (for instance, disputes over questions of patent law).

However, the obligatory nature of an arbitration procedure for considering disputes arising only from the contract of shipment (purchase/sale) is envisaged in the bilateral agreements of the signatories to the Moscow Convention with the Socialist Republic of Vietnam, the People's Republic of China and the Democratic People's Republic of Korea.

The procedure for examining disputes in arbitration courts is determined by national regulations elaborated in accordance with the Uniform Rules of Procedure in the Arbitration Courts at the Chambers of Commerce of the CMEA countries. These Rules were approved in 1974 by the CMEA Executive Committee which recommended the CMEA members "to take in accordance with the procedure

established in the countries such measures which... will provide for the application of rules corresponding to the Uniform Rules... to the disputes between economic organizations of the CMEA countries subject to examination in the arbitration courts at the chambers of commerce." Following the Moscow Convention of 1972, the Uniform Rules were the next step in carrying out the provisions of the Comprehensive Programme in the area of arbitration.

As can be seen from the foregoing, the CMEA Executive Committee's recommendations concerned solely disputes between economic organizations of the CMEA members. In working out national rules, it was deemed advisable in all member-countries, except Poland, to have common rules applicable not only to disputes between organizations of the CMEA countries, but also to disputes in which organizations and firms from other countries participate. In Poland enacted were the Arbitration Rules concerning disputes between economic organizations of the CMEA members, while in regard to other disputes the Arbitration Rules of 1968 continue to be in force.

In most member-countries, the national rules have been approved by their chambers of commerce. In the Republic of Cuba such rules were approved by the law, in Romania—by decision of the Council of State, in Czechoslovakia—by the Federal Ministry of Foreign Trade.

The adoption of the Uniform Rules has not led to the establishment of common international rules for considering disputes, or textually concurrent national rules. A high degree of uniformity, however, has been achieved in the substance of the national rules, as a result of which the procedural status of parties in dispute is now practically uniform, except for some minor details.

Work is now in progress within the CMEA framework on the improvement of the Uniform Rules. In the course of this work it is planned to take into account the experience gained in applying national rules and the tendencies of international commercial arbitration, which have found reflection, in particular, in the UNCITRAL Arbitration Rules and the draft Uniform Commercial Arbitration Law.

Besides the rules of arbitration courts, legal norms directly relating to commercial arbitration are also applicable.

Procedural questions unsettled in the national rules and other legal norms are tackled in the arbitration courts of most CMEA members at the discretion of the arbitrators. The rule of the codes of civil procedure are not applicable here. Two countries are an exception to this rule. In accordance with Para. 11 of the Statute of the Arbitration Court at the Bulgarian Chamber of Commerce and Industry, in cases unsettled by the Statute or the agreement on arbitration, the rules of the Bulgarian code of civil

procedure are applicable since they meet the requirements of arbitration proceedings. As stated in Art. 51 of the Regulations Relating to the Organization and Working of the Arbitration Commission at the Chamber of Commerce and Industry of the Socialist Republic of Romania, the provisions of these Regulations are supplemented with the provisions of the Romanian code of civil procedure "to the extent to which they are applicable within the framework of the international character of the competence of the Arbitration Commission."

As noted in the national rules, the arbitration courts settle disputes on the strength of the applicable norms of substantive law. Of these, use is made above all of the norms of international treaties which are of special importance in relations between the socialist countries' organizations. Of the greatest significance are the CMEA General Terms for Deliveries now in force in the wording of 1979. The unified civil law norms agreed by the member-countries regulate the bulk of economic relations between organizations of the CMEA countries. Similar norms are also applied in their relations of shipment with organizations of some other countries such as the People's Republic of China and the Democratic People's Republic of Korea.

Questions left outstanding by international acts are settled by the rules of national law to which they are referred by conflict of law rules. Among these are the conflict of law rules of international unified acts. For instance, as concerns questions left unsettled in Para. 110 of the CMEA GTD, this paragraph refers them to the law of the seller's country. In the absence of a conflict of law rule in an international unified act, the arbitration courts in most CMEA countries apply their own conflict of law rules. Art. 126 of the Fundamentals of the Civil Legislation of the USSR and the Union Republics refers disputes to the law of the country where the foreign trade transaction has been signed. In accordance with the conflict of law rules of Bulgaria, the GDR and Czechoslovakia, disputes over contracts of purchase and sale are referred to the law of the seller's country. Under Para. 29 of the Polish Rules of 1968, the arbitrators apply the laws of the country which, in their opinion, are most closely connected with the relation in dispute.

The legislation of the CMEA countries recognizes the principle of the autonomy of the will of the parties in dispute, according to which they are within their right to agree to submit their relations to the law of a certain country. The above references of the conflict of law rules to the law of certain countries are therefore applicable only if such an agreement between the parties has not been concluded.

The work of an arbitration court is organized by its President who has deputies. In Bulgaria, Romania and the USSR the President of the arbitration court is elected by the arbitrators from among their own midst. In Czechoslovakia the President is elected by the members of the Presidium of the court. In other member-countries the President of the court is appointed by the governing body of the Chamber of Commerce. In Hungary the President of the Chamber of Commerce is *ex officio* the President of the Arbitration Court.

Every case is examined by three arbitrators or a single arbitrator. If a dispute is examined by three arbitrators, as is more often the case, each of the parties in dispute selects one arbitrator. The arbitrators then elect the chairman of the given arbitration team. If within the time-limit fixed the defendant fails to select an arbitrator or the arbitrators fail to elect the chairman of the given arbitration team, they are appointed by the President of the arbitration court.

An arbitrator may only be selected from the list of arbitrators of a given arbitration court. The list includes specialists possessing the knowledge and experience necessary for examining disputes within the competence of the arbitration court. The rules of procedure of the arbitration courts in some member-countries provide for a minimum number of arbitrators, while in all other countries the number of arbitrators is not determined. According to the FTAC rules of procedure, the list of arbitrators should include at least 15 persons: at present, in fact, the list includes 25 persons. In 1983 the number of arbitrators in the Bulgarian arbitration court was 39, in the arbitration court of the GDR—42, in the arbitration bodies of Cuba and Mongolia—15 persons each, and in Poland and Romania—64 and 35 persons respectively.

The list of arbitrators is approved by the chamber of commerce at which the court finds itself. The FTAC list of arbitrators is approved by the Presidium of the USSR Chamber of Commerce and Industry. In Czechoslovakia this question is decided by the Presidium of the Arbitration Court.

In most member-countries arbitrators are included in the list for a term of two to four years with their possible re-appointment for the subsequent period. The FTAC list of arbitrators is approved for a period of four years. On the expiry of this period the arbitrators on the list are usually approved every time for the new term. Approximately two-thirds of the arbitrators have served FTAC more than ten years. The high level of theoretical background and long years of practical work make it possible for the arbitrators to skilfully settle disputes however complicated.

The rules of procedure of the arbitration courts in most

CMEA countries contain no limitations as regards the citizenship of the arbitrators. Generally, however, the arbitrators are citizens of the country of the court. Under the Bulgarian rules of procedure, the list of arbitrators includes only Bulgarian citizens. In accordance with the Hungarian rules of procedure (Para. 4), a foreign party may appoint as its arbitrator a foreign national who is not on the list of arbitrators only if a Hungarian citizen can be appointed as an arbitrator of the Hungarian party in the country of residence of this foreign party.

The arbitrators are obliged to perform their duties impartially. This requirement is fixed in one way or another in the law or in the rules of procedure of the arbitration courts in all CMEA countries. As is stated in the FTAC Statute, the arbitrators of the Commission are independent and impartial in carrying out their duties. This is in conformity with the provision of the rules of procedure to the effect that the arbitrators are not representatives of the parties to a dispute.

The impartiality of the arbitrators is also ensured by the possibility of their withdrawal at the request of any of the parties in dispute.

When settling disputes in the arbitration courts of the CMEA members, wide use is made of the principle of representation; what is more, foreign nationals and organizations may also act as representatives. In some CMEA countries there are organizations of lawyers specializing in giving legal aid to foreign clients. The Inyurkollegia is such an organization in the USSR.

In lodging a claim the plaintiff should pay the arbitration fee to cover the over-all expenses, including arbitrators' fees, remuneration of the Secretariat clerical services. In most cases considered in the arbitration courts of the CMEA countries the parties do not bear any expenses other than those for protecting their interests.

The amount of arbitration fees is determined for each case according to established rates. A relatively moderate arbitration fee is a characteristic of the arbitration courts in the countries under review. If the value of the claim is up to 5,000 rubles inclusive, the amount of arbitration fee is just 150 rubles. If the value of the claim is 100,000 rubles, the arbitration fee to be paid is 2,100 rubles. When the value of the claim is 1,000,000 rubles, the arbitration fee is exacted to the amount of 7,100 rubles. Under certain conditions (consideration of a case by a single arbitrator, withdrawal of a claim before the communication of the hearing date is sent or after such a communication, but before the date of the first hearing of the case), the arbitration fee is reduced or reimbursed in part.

By the decision or ruling completing the arbitration

proceedings, the expenses incurred by the claimant on the payment of the arbitration fee may be reimbursed to him in full or in part. As a general rule, such expenses are borne by the losing party, and if the claim is satisfied partially the arbitration fee is imposed on the defendant in proportion to the satisfied part of the claim, and on the plaintiff in proportion to the dismissed part of the claim.

Apart from the general expenses which are covered by the arbitration fee, consideration of individual cases entails special expenses, for instance those on expertise, translations from one language into another, etc. Such expenses are paid by the parties in accordance with the rules for distributing the arbitration fee.

The parties' expenses, i.e., the expenses they incur in defending their own interests (travelling expenses, lawyers' fees, etc.), are as a rule not subject to reimbursement.

As an exception to the rules for distributing the arbitration fee, special expenses and the expenses of the parties, provision is made for the possibility of exacting, in favour of one of the parties, the superfluous charges paid by it as a result of the inexpedient or unfair actions of the other party.

The arbitration courts (commissions) widely cooperate internationally.

By agreement between the Chambers of Commerce of the CMEA members and Yugoslavia, meetings of the presidents of their arbitration courts and commissions are held every two years. The first such meeting was held in 1959 in Prague. Then meetings of this kind were held in Moscow, Berlin, Warsaw, Varna, Bucharest, Budapest, Ulan Bator, Havana, Bratislava, Tashkent, Berlin. Late in September 1985 a regular meeting was held in Gdynia. The participants in such meetings exchange information on the application of uniform rules of substantive and procedural law and discuss current arbitration problems of mutual interest.

Information is exchanged in other ways as well, such as bilateral meetings of the presidents of the arbitration courts (commissions) of individual countries.

Specific and highly effective was the cooperation of arbitrator-experts from the CMEA countries in the working groups of the meeting of the representatives of these countries on legal questions; they prepared the drafts of the 1972 Moscow Convention and of the 1974 Uniform Rules for the arbitration courts at the Chambers of Commerce of the CMEA members. This joint work over many years has made it possible not only to prepare the above-mentioned drafts but also to reveal similarities and differences in national legislations on questions of international arbitration and in the views of individual scholars.

Cooperation is also in progress with arbitration courts in

non-socialist countries, chiefly through participation in discussing various questions concerning the organization and activity of arbitration courts at seminars, symposia and bilateral meetings. The most fruitful among these are seminars on arbitration problems, which are organized by the International Chamber of Commerce with the participation of the Chambers of Commerce (and Industry) of the CMEA members. Mention may be made in this connection of the useful contribution of regular meetings of experts on questions of arbitration within the framework of the East-West Committee.

Participation in international arbitration congresses is also an important form of this cooperation. The fourth such congress was held in Moscow in 1972. In 1980, Warsaw was the venue of a regular international conference on questions of arbitration.

Experts from the CMEA countries participate in the work of the International Council for Commercial Arbitration, whose major task is to promote cooperation between arbitration institutions of different countries.

¹ See the *Handbook on Foreign Trade Arbitration in the CMEA Countries*, USSR Chamber of Commerce and Industry, Moscow, 1983. The handbook has been published in Russian and English.

² That is, if we leave out of account the General Terms for Deliveries and other General Terms as agreed between the CMEA members, in which obligatory arbitration for disputes was laid down much earlier.

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THIRD WORLD ISSUES

SOVIET AID IN EXPLOITING THIRD WORLD MINERAL RESOURCES

Moscow FOREIGN TRADE in English No 7, Jul 86 pp 20-24

[Article by Mikhail Ryzhkov: "Soviet Assistance to the Developing Countries in Exploiting Their Mineral Resources"]

[Text]

Important features of the newly-free countries' struggle for establishing a new economic order are the changed relationships formed in the capitalist economic raw material sector and these countries' full sovereignty over their natural resources. One of the main factors determining the trends, growth rates and prospects of their economic development as well as the formation of an economic complex and export structure is the existence of prospected reserves of raw material resources in these countries.

However, comprehensive exploitation of mineral resources which includes the drawing up of basic geological maps, geological prospecting and assessment and industrial exploitation of deposits requires substantial financial and technical means as well as highly-skilled specialists.

It is the Soviet Union's policy to assist the developing countries to exploit their mineral resources. The Guidelines for the Economic and Social Development of the USSR for 1986-1990 and for the Period Ending in 2000, approved at the 27th CPSU Congress, point out that the USSR is: "To deepen cooperation with developing countries. To render them assistance in the construction of industrial and power engineering projects, the development of transport, agricultural mechanization and land irrigation, geological prospecting for mineral and fuel reserves, personnel training and in other fields, while promoting the broader industrial use of natural wealth, and an increase of commodity resources in these countries, the formation and development of their national econo-

mies and their advancement along the road of independence and progress."***

Soviet organizations' assistance to these countries in conducting a comprehensive study of and developing their mineral resources includes also the establishment of national geological services, all forms of prospecting, construction of the extractive industry projects and the relevant infrastructure, training of local personnel and the setting up of research centres. Assistance in geological prospecting and constructing extractive industry projects has been given to more than 40 countries. With many of these states long-term stable relations have been established which are progressing year by year. Cooperation with Afghanistan and Vietnam in prospecting and extracting mineral resources has been maintained for almost 30 years already, with Mali and Guinea—for nearly 25 years, with Algeria and Iran—over 20 years, and with Nigeria—over 15 years.

For the years of cooperation with Soviet geologists nearly 2,000 deposits of mineral resources have been discovered, prospected and re-assessed.

In the developing countries' policy concerning geology and mineral prospecting their national geological services play an important role. To help these countries set up such services Soviet organizations supply necessary documents and send highly skilled specialists. Their tasks are to participate in the management and planning activity of corresponding departments, draw up schemes of distribution of the extractive industry and its development, conduct generalized research based on the geological materials (often not systematized) available in these countries, give a consultation service on all aspects of the national geological prospecting companies' activities and control those of foreign firms.

Thus, in Algeria Soviet specialists generalize material concerning all aspects of geological prospecting and making boreholes and supervise the construction and operation of many oil and gas industry projects.

For Vietnam Soviet geologists drew up a General Scheme for the development of the country's coal industry up to 1990 with a forecast of its future up to the year 2000.

In Cuba, Soviet specialists formulated recommendations on the optimum distribution of prospecting holes needed to assess natural gas reserves and on sinking and testing methods. These recommendations

substantially reduce the time needed to estimate the industrial significance of the discovered gas-fields.

For Libya Soviet organizations drew up a General Scheme for the comprehensive development of the gas industry up to the year 2000.

In Mozambique, Soviet specialists perform large amount of work on prospecting mineral resources. They elaborated recommendations on the main ways of developing the country's coal industry, a long-term plan for the development of the mining industry up to 1990 and a production programme for the extraction of pegmatites, copper, asbestos, gold, fluor-spar, etc.

Geologic surveys. Based on them a set of maps, i.e. a geological foundation for planning and conducting all types of geological prospecting, survey, construction and other work of vital economic importance is being prepared.

At the request of the UN Economic Commission for Africa (ECA) for the first time in the continent's history Soviet geologists drew up a geological map and a map of mineral resources (at a scale of 1:5,000,000) and gave them to the Commission in late 1981. In 1983, a third map of Africa with indication of oil and gas deposits was also given to the UN. These unique maps based on the latest Soviet and foreign researches and containing information about 79 types of minerals show in detail this region's geological structure and economic and geological indices for 5,000 deposits and ore-fields. These maps in the volume of their material have no equal in the world.

The maps of certain countries such as Algeria, Bangladesh, Guinea, Libya, Mongolia, the People's Democratic Republic of Yemen, Ethiopia, etc., drawn by Soviet geologists, are notable for their high scientific content.

Soviet geologists' comprehensive scientific researches have assured high practical results in the geological prospecting undertaken in many countries. The successes are especially noticeable in prospecting for such types of mineral resources as oil, gas, coal, iron ore, bauxites, tin, copper, phosphorites and others vital for the development of industry and economy in general.

Firms in the West when fulfilling similar work are often not interested in supplying the developing states with objective data of their mineral resources. It was not by chance, after Western experts had negatively

assessed the prospects of surveyed areas, that Soviet geologists discovered large deposits of mineral resources in the developing countries, in particular, iron ore and coking coal in Iran, oil and gas in India, copper and natural gas in Afghanistan.

In India where Soviet geologists discovered nearly 50 oil- and gas-fields the work on seismic prospecting in the Ranaghat-Jaguli-Krishnanagar region and drilling of prospecting holes in the states of West Bengal and Tripura continues.

In Algeria with Soviet specialists' assistance a large number of deposits of mineral resources including Africa's largest mercury deposit and those showing tungsten, lead, zinc, tin, gold, iron and baryte ores were prospected, opened and developed.

In Morocco cobalt, magnesite and phosphorite deposits have been and are being prospected and the work on prospecting the presence of oil and gas in the Inter-Atlas region, highly evaluated by Moroccan specialists, was completed.

In Mongolia a Soviet geological expedition recently completed prospecting the central area of the Erdenetiin-Obo copper-molybdenum deposit, coal reserves in Baganur, fluor-spar resources in Bor-Undur and the Burenhan phosphorite deposit.

The joint Soviet-Vietnamese enterprise for prospecting and extracting oil and gas in the south of Vietnam's shelf is successfully operating. In 1984, the first oil was extracted from the Bach Ho (White Tiger) oil-field.

With the USSR's assistance the prospected mineral reserves in Bangladesh (gas), Guinea (bauxites), the Congo (gold), Cuba (nickel and polymetals), Laos (tin), Mali (gold), the People's Democratic Republic of Yemen (building materials), Pakistan (gas) and Syria (oil) have been substantially augmented.

Construction of extractive enterprises. Over the last decade the number of projects constructed with Soviet participation in the developing countries' major extractive industries has more than doubled.

The steady development of cooperation in extracting oil and gas is due to these countries' increased needs for a larger *fuel-and-power base*. By now oil-extractive enterprises (total amount nearly 130 million tons of oil per year) have been, are being and will be constructed. The commissioned gas-extractive projects' design output reaches 4,100 million cu.m of gas per year. Great stress

is being placed on building networks of pipelines, oil-tank farms and oil storages, gas-pumping stations and other infrastructure projects.

Cooperation in exploiting oil- and gas-fields with such countries as Algeria, Afghanistan, India, Iraq, Libya and Syria is progressing on a stable and long-term basis.

The largest Soviet-Afghan gas extractive cooperation projects are the Khoja Gugerdak and Jarkuduk gas fields discovered, developed and exploited with the USSR's assistance. It is planned to continue drilling operating boreholes in the Jarkuduk gas-field, to restore oil-fields and resume oil extraction in North Afghanistan.

In India at the oil- and gas-fields prospected with Soviet geologists' participation oil- and gas-extractive projects have been erected very quickly and are being managed by the Indian state commission for oil and natural gas. They produce about 25 per cent of the country's total oil output. At present Soviet specialists render assistance in drilling new and exploiting and repairing idle and low-productive wells. They have also elaborated a programme for the introduction of a land mechanized oil-extracting method which is being realized.

Large oil-extracting projects have been built with Soviet assistance in Iraq among which is North Rumaylah, the first national oil-field (design output 42 million tons of oil per year). With Soviet assistance the Luheis and Nahr-Umr oil-fields were also put into operation. Now boreholes are being drilled in the Rumaylah and West Kurna oil-fields. The portion of oil-fields put into operation with Soviet organizations' participation constitutes 20 per cent of the country's oil-extracting capacities. Assistance rendered in this sphere is of great importance for Iraq's economy as today the portion of oil forms over 80 per cent of the total state budget income and 98 per cent of the national industrial export.

Oil extraction in Syria which began with Soviet assistance in 1968 has been maintained recently at a relatively stable level amounting to from eight to nine million tons of oil per year. With Soviet specialists' direct participation eight oil- and gas-fields were put into operation and 120 million tons of oil extracted.

The policies of many developing countries since the 1970s oriented on diversification of energy carriers used has in recent years forced a number of them to expand

their coal-extracting and dressing capacities and cooperate further with the USSR in this sphere.

Over the last decade the number of coal industry's projects constructed with Soviet assistance and the volume of the commissioned capacities have more than doubled. At present the Soviet Union has commitments to create capacities for extracting nearly 87 million tons and dressing over 35 million tons of coal in the developing countries. The major portion of cooperation with the developing countries in the coal industry falls to Vietnam, India, Iran and Mongolia.

Now Vietnam's coal industry has a large mining fund and is equipped with modern facilities. Soviet specialists designed all large open-cast collieries and mines which extract over 95 per cent of the country's coal. At present the USSR is helping Vietnam to design, construct and operate 16 coal industry's projects.

Cooperation with India in exploiting coal-fields has been successfully progressing for over 25 years already.

The volumes of Soviet-Indian cooperation in the coal industry are expanding, and the projects capacities growing. Recently Soviet specialists drew up and defended the designs for working the Jharia open-cast colliery (total output 12 million tons per year) and the Singrauli open-cast colliery (output 14 million tons), including coal-dressing installations. The delivery of equipment was completed and the sinking of the Jhanjhra mine's two vertical shafts (2.8 million tons) was begun. Equipment for the Tipong mine has also been supplied.

According to the estimates after the commissioning of Soviet-Indian cooperation projects the country's coal-extracting capacities will be more than 25 per cent greater than in 1981. This will more fully satisfy the country's increasing demands for energy carriers.

In Iran with the Soviet assistance the Babnizu coal-mine (capacity 300,000 tons), the Karsang coal-mine have been constructed and accessories and spare parts for coal-mines in the Kerman and Shahrud regions are being supplied. A coal-dressing factory (2.5 million tons) in Zarand was constructed. On the whole the projects constructed with the USSR assistance produce nearly 80 per cent of the country's coal output.

Soviet organizations have rendered and are rendering great assistance to the Democratic People's Republic of Korea in augmenting its coal-extracting and dressing capacities. At present Soviet specialists are helping expand coal-extracting capacities in the Anju coal-field.

There are favourable prospects for developing cooperation in the coal industry with Mozambique. In this country Soviet organizations assist in extracting coal at the Moatise coal-field. A long-term programme for development of the coal industry is being elaborated and corresponding projects designed. It is planned to start two open-cast collieries (capacity 4.5 million tons of coal per year), two mines (total capacity nearly 400,000 tons of coal per year) and a coal-dressing plant.

The Soviet Union renders technical assistance in constructing, modernizing and expanding enterprises for *extracting and dressing ferrous and non-ferrous metallic ores*. Nearly 20 such projects have been completed in the developing countries.

With Soviet participation large iron-ore enterprises were built in Egypt, India and Iran (total capacity over 13 million tons of ore per year).

Algeria where, with the USSR's assistance, the Ismail mining and metallurgical complex was built, is now a large producer and exporter of mercury. A considerable share of the lead and zinc concentrate is manufactured at the El Abed lead and zinc dressing factory, also constructed with the USSR participation.

A bauxite complex in Kindia, mining nearly 25 per cent of the country's bauxites, is an important USSR-Guinea cooperation project constructed in 1974. Over the years of its functioning the complex turned out over 25 million tons of bauxites. Expansion of the enterprise up to three million tons has been completed and further cooperation in extracting and processing bauxites is planned.

In Mongolia an ore-dressing complex for extracting and processing fluor-spar in the Khar Airan region is being constructed and the Berkhe fluor-spar mine expanded. Enterprises erected with the USSR participation manufacture 100 per cent of copper and molybdenum concentrate and extract 95 per cent of fluor-spar.

In the People's Republic of the Congo with Soviet assistance an ore mine (annual productivity 70,000 tons of ore) is being constructed at a polymetallic ore deposit. In 1976 in this Republic an open-cast mine with an ore-dressing plant turning out lead and zinc concentrate was put into operation.

Transfer of modern technology. Soviet oil-extracting technology is used very effectively in the developing countries. The system for pumping water into an oil

pool designed in Iraq with the USSR's participation (input 140 million cu.m per year) will assure an output of over 60 million tons of oil per year after its commissioning and maintain this level for a long period of time.

Soviet coal-extracting technology is successfully used. Coal industry's enterprises erected with the USSR's assistance are equipped with Soviet modern highly productive machinery assuring high speed extraction, good quality of operation and safe operating conditions.

An economic open-cast mining method, in use at the Kao Son open-cast colliery (Vietnam) and the Baganur open-cast colliery in Mongolia, is being more and more widely applied in the practical cooperation.

Since this method involves a large volume of stripping work and removal of the fertile soil layer Soviet organizations introduce and ensure measures protecting the environment. After the extraction is completed, the earth is made ready for cultivation and the fertile layer replaced.

Rapid achievement of design output and *profitable operation of mining industry enterprises* constructed with the USSR's assistance witness high effectiveness of the Soviet equipment and technology and the Soviet organizations' thorough approach to the substantiation of project construction.

The developing countries' national companies and enterprises dealing with the exploitation of mineral resources achieve high industrial and commercial indices and contribute much to their countries' economic advancement.

Syria's oil industry is a very profitable sector. In line with the programme for development of this industry for 1981-1985, elaborated with Soviet organizations' participation, more than 40 million tons of oil were extracted with Soviet specialists' assistance. This assures over 50 per cent of the country's export receipts.

Natural gas production in Afghanistan has a high cost effectiveness. Gas-extracting enterprises assure nearly 40 per cent of the country's budget receipts and have proved themselves highly profitable industrial projects.

Mineral raw materials, extracted with Soviet organizations' assistance, are not only a means for expanding their export potential and receiving currency but also form a *foundation for the manufacturing industries* which are very often created with the USSR's partici-

pation. Generally, geological prospecting and exploitation of deposits are interlaced with assistance in other spheres, primarily raw material processing (for instance, in constructing iron-and-steel enterprises).

Effective operation of extractive enterprises to a great extent depends on the assured loading of industrial capacities, guaranteed supply of spare parts and components, timely routine and capital repair and on many other factors. The USSR takes this fact into consideration when rendering assistance to the developing countries. Workshops, repair and production shops and factories are built. For example, Vietnam's coal industry, formed with the USSR's assistance, has a developed repair and mechanical base comprising eight factories. Besides routine repair these factories undertake the capital repair of mining equipment and manufacture spare parts.

Output from the extracting enterprises goes directly to ferrous and non-ferrous metallurgical enterprises, petroleum refining factories, thermal power stations and factories manufacturing fertilizers, all constructed with Soviet assistance. Moreover, the export of a portion of their products to the USSR, including that on a compensation basis, helps solve their marketing problems.

The USSR's assistance rendered to the developing countries in exploiting their mineral resources also embraces such a sphere as *training skilled personnel*. Many thousands of people in these countries work and undergo training at enterprises being built with the USSR's participation.

Owing to the Soviet assistance in constructing, modernizing and operating the extractive enterprises the process of nationalization of the extractive industries in the developing countries has been promoted and strengthened. Thanks to Soviet assistance Syria in the 1960s became the first Arab country to exploit its oil resources without the Western oil monopolies' participation. The Soviet assistance has substantially strengthened the extractive industry state sector of Iraq, India, Algeria, Afghanistan and many other countries.

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During the years of the USSR's cooperation with the developing countries in exploiting their mineral resources stable tendencies towards the growth of its total volumes, deeper content, a more perfect mechanism and forms of it and a higher level of mutual benefit have formed. These tendencies determine wide pros-

pects for the Soviet Union's economic and technical ties with the developing countries in this particular sphere.

Exploitation of a phosphorite deposit in Morocco, the construction of an alumina and aluminium complex in India, development of the Kibi bauxite deposit in Ghana, the development of coal-fields in Mozambique, an oil-field in West Kurna in Iraq, etc. are major promising trends of cooperation.

Cooperation with many developing countries can be facilitated through its transfer to a long-term and planned basis. Examples are long-term agreements concluded with Angola, India, Libya, Mozambique, Turkey and Ethiopia. Measures planned (in particular, in cooperation with India) at assuring a more full extraction of the minerals' useful component (secondary oil extraction methods, reworking of exhausted deposits and dumps, reduction of losses in pipelines and during exploitation of deposits including by the open-cast mining method, etc.) witness the deepening of economic ties.

Further expansion of ties in exploiting mineral resources through the conclusion of intergovernmental agreements and understandings with a number of countries is envisaged.

Negotiations with Brazil on cooperation in exploiting copper ore deposits and the possibilities of the delivery of Soviet tin-refining equipment are under way.

Expansion of cooperation with traditional and new partners will most likely require such measures as participation in tenders and the setting up of joint-stock companies.

The development of compensation-based cooperation will further strengthen the principle of mutual benefit. Cooperation with Madagascar in geological prospecting and in exploiting rare-earth pegmatite and quartz deposits, with the Congo in exploiting lead and zinc deposits and with Laos in manufacturing tin concentrates are new promising trends in this sphere. It is planned to construct on a compensation basis an alumina factory in India and develop a phosphorite deposit in Morocco.

Under the concluded agreements and understandings reached new large steps towards studying and exploiting the developing countries' mineral resources with Soviet economic and technical assistance will be taken in the next few years.

* According to the classification adopted by the UN the developing countries include the following socialist countries: Cuba, the Democratic People's Republic of Korea, the Lao People's Democratic Republic, Mongolia and the Socialist Republic of Vietnam.

** *Pravda*, March 9, 1986.

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GENERAL ECONOMIC AFFAIRS

SOVIET SEA-TRADE NAVIGATION TREATY PRACTICES

Moscow FOREIGN TRADE in English No 7, Jul 86 pp 46-48

[Article by Viktor Gryazin, senior expert, Treaty and Legal Division, Foreign Relations Department, Ministry of Merchant Marine: "Treaty Practice of the USSR in Sea-Trade Navigation"]

[Text]

The legal foundation of multilateral relations between states in political, economic, merchant navigation, juridical and other spheres is an international treaty. The importance of such treaties increases with the development and expansion of interstate relations, the consequence of the ever-growing international division of labour, the strengthening of independence and sovereignty of states.

Treaties of commerce and navigation

In the prewar period, the Soviet government followed the practice of concluding commerce and navigation treaties as a means of regulating merchant navigation between the USSR and foreign states on a legal and contractual basis. The Soviet Union concluded such treaties with Norway (1925), Greece (1929), Turkey (1937), Iran (1940), Yugoslavia (1940). A relevant article was included into the Trade Agreement with Sweden (1924), Provisional Trade Agreement with Great Britain (1934) and Provisional Trade Convention with the Belgium-Luxemburg Economic Union, to the effect that vessels of the Contracting Parties, as well as their crews, passengers and cargoes, would have, in the ports and territorial waters of each other, treatment in all respects not less favourable than that extended to vessels under the flag of any other state, their crews, passengers and cargoes.

In the above treaties of commerce and navigation, due attention was paid to articles dealing with

certain aspects of navigational relations between the Contracting Parties. For instance, the treaties with Norway, Greece and Iran provided for the reciprocal national treatment in respect of a call, departure or stay of the one Contracting Party's vessels in the ports of the other, as well as in respect of port duties and taxes. The treaty with Norway specifies the sphere of national treatment in more detail. In particular, the national treatment provision thereof also covers the use of sea canals, locks, ferries, bridges and swing bridges, ports and debarkation points, signals and lights as markers of navigable waters, services of a pilot, etc. The treaties with Turkey and Iran assure, in respect of the above, the most-favoured-nation (MFN) treatment for the Contracting Parties.

Very important, from the pragmatic point of view, was the inclusion in the said treaties of articles covering recognition by the Parties of the nationality of vessels and measurement certificates carried on board and issued by the competent authorities of the respective countries in accordance with national laws and rules. The article in all these treaties to the effect that in case of wreck, grounding, accident at sea or an emergency call of the one Contracting Party's vessels in the territorial waters of the other, the vessels and their cargoes would be given the same benefits and privileges as the national vessels in similar circumstances, was then included, virtually unchanged, into subsequent agreements between the USSR and foreign states on sea-trade navigation, as well as into consular conventions with some countries.

The Soviet Union concluded treaties of commerce and navigation with the socialist countries: Romania (1947), Hungary (1947), Czechoslovakia (1947), Bulgaria (1948), the German Democratic Republic (1957), China (1958), Vietnam (1958), the Democratic People's Republic of Korea (1961). All these treaties have the article assuring that each Contracting Party's vessels, their crews, passengers and cargoes receive the MFN treatment in respect of a call, departure or stay in the ports of the other Party, as well as loading and unloading, duties and taxes, etc. In addition, this article stipulates that any preferences, facilitations, privileges or benefits which are, or will be, given to any third country will be immediately and without compensation extended to the other Party. The said treaties also contain the

relevant article dealing with the mutual recognition by Parties of nationality of vessels on the basis of documents and patents carried on board and issued by the competent authorities of the respective Contracting Party. Measurement certificates and other ship's technical papers, issued or recognized by the one Contracting Party, shall be also recognized by the other. Consequently, the vessels of each Contracting Party, having such measurement certificates, will be excluded from repeated measurements in the ports of the other Party, and the net cargo capacity of the vessel indicated in the certificate will be considered as the basis for calculating port charges.

At present, the Soviet Union has treaties of commerce and navigation, and trade agreements containing a MFN article on navigation with more than 50 countries. According to the existing rules, the vessels under the flag of states with which the USSR concluded a MFN or national treatment agreement, benefit in the Soviet ports from the preferential or national duty rates which are much lower than the ship's usual duties. Hence, by concluding with the Soviet Union such agreements, the foreign states derive practical gains.

USSR agreements on sea-trade navigation

In the 1960s the volume of Soviet overseas commercial shipping increased greatly. The growth of international maritime navigation necessitated the regulation of interstate navigational relations through special maritime agreements. At present, the practice of concluding such agreements has become widespread all over the world. The 1960s were also a time when the separate Soviet treaty practice in sea-trade navigation was instituted. Agreements on sea-trade navigation, concluded by the Soviet Union, are intended to strengthen the Soviet merchant marine positions in the international shipping, and to form a stable, long-term legal foundation for relations with foreign countries over a wide range of questions, many of which have not yet been legally settled.

Agreements on sea-trade navigation give practical meaning to many usual norms existing in the practice of international merchant shipping. They ensure more confident planning and development of shipping relations with partners on principles of

equality and mutual benefit as embodied in such agreements.

By January 1, 1986, the Soviet Union had concluded 39 bilateral and multilateral treaties and agreements on sea-trade navigation with 45 countries: 38 bilateral and one regional agreements (seven CMEA member-countries participate); 14 with capitalist and 24 with the developing countries. In recent years, agreements on sea-trade navigation have been mainly concluded with developing countries, thus reflecting their growing participation in international shipping.

Such agreements, first of all, show the Contracting Parties' desire to promote international shipping on the basis of free navigation, to refrain from actions which would be detrimental to the normal development of international shipping, to facilitate and develop mutually beneficial business relations.

In most of these agreements on sea-trade navigation, the Parties pledge to support their vessels' participation in sea transportation between the ports of the two countries, to remove obstacles on the way of developing such transportation, not to prevent participation of the one Party's vessels in shipping of goods between the ports of the other Party and ports of third countries.

Some agreements include provisions stipulating the wish of the Parties to open, in the interest of developing trade exchanges, jointly owned regular shipping lines between their ports.

Articles regulating the stay of vessels in ports are among the most important ones in the Soviet agreements on sea-trade navigation. In their great majority, the agreements provide for the reciprocal national treatment concerning the freedom of call, use of ports for loading and unloading of cargo, embarkation and disembarkation of passengers, paying of ship's and other duties and taxes, and use of services in navigation and normal commercial operations. In addition to the national treatment, which is strictly limited as to the spheres of application, the agreements provide for the MFN treatment in other, not explicitly covered, aspects of commercial navigation.

The group of articles regulating vessels stay in port also includes those pertaining to the reciprocal recognition of ship's documents, as well as sailors' national identity cards.

Much attention is given to the legal regime allowing crew members to land during the vessel's stay in port. This includes the transit of sailors through the Parties' territories, and their stay therein in case of illness. The agreements also provide for the visa-free landing of sailors in the ports of the other Party on presentation of their identity cards, on condition the captain has passed to the competent authorities, in accordance with the port rules, the list of crew members. In the case when a visa is needed the agreements specify that it be issued by the competent authorities in the shortest time possible.

The 1958 Geneva Convention on the Territorial Sea and the Contiguous Zone, and the 1982 United Nations Convention on the Law of the Sea limit the criminal jurisdiction of the coastal state in respect of foreign vessels passing through its territorial sea.

However, as regards inland waters (to which ports are referred), the common international law does not contain any such norms. Nevertheless, practice shows that the limitation of coastal states' criminal jurisdiction would be in the interest of international merchant navigation. In this connection, many sea-trade navigation agreements include a relevant article under which in the case of a criminal act being committed on board by a crew member of the one Party's vessel while in the inland waters of the other Party, the authorities of the latter (except the cases stipulated by the said article) shall not prosecute him without prior consent of a competent diplomatic or consular officer of the vessel's flag country.

The agreements also include a provision binding the legal authorities of the respective Parties to reject claims concerning employment contracts of crew members of the other Party's vessels.

Some agreements contain the obligation of Parties thereto to settle claims under judgements of the judicial authorities of the other Party on civil suits concerning the use of vessels owned or operated by the other Party, or carriage of passengers or cargoes on the said vessels. Consequently, a vessel of the one Party (being a state property thereof) shall not be subject to arrest or detention in the territory of the other Party in connection with any of the above-mentioned civil claims.

This provision is of special importance since any delay of the vessel could entail considerable financial losses for the shipping company.

Many countries introduced freight taxes to be paid in their territories by foreign shipping companies. Therefore, shipowners face the problem of the so-called double taxation, both in the country of residence and in the country where this freight has been put to use. In this connection, inclusion into sea-trade navigation agreements of provisions avoiding double taxation are of great practical significance. Usually, under such provisions, shipping companies and enterprises established in the territory of one of the Contracting Parties shall not be taxable in the territory of the other Party as regards their revenues and profits from commercial shipping operations. It should be noted, however, that not all partner-countries agree to include such provisions in sea-trade navigation agreements, stating that these questions must be covered by separate tax agreements.

As mentioned above, treaties of commerce and navigation contain an article concerning the parties' mutual aid in case of wrecks and sea accidents near their coasts. This article, virtually unchanged, is included in most sea-trade navigation agreements.

The majority of such agreements provide for setting up joint commissions on maritime navigation. These commissions have proved themselves able mechanisms of cooperation between the Contracting Parties, efficiently settling all navigational problems passed to them. They have been useful in expanding business contacts and elaborating jointly approved measures for improving cooperation.

Certainly, the concluded sea-trade navigation agreements are not always sufficient to provide the Soviet merchant marine with favourable operating conditions, and strengthen its positions in international shipping. This undertaking requires a whole complex of various political, diplomatic, economic, technical and legal measures. However, it can be stated with confidence that, within this complex, intergovernmental agreements on sea-trade navigation do play a very important role.

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UNITED STATES AND CANADA

U. S. MEDIA'S ALLEGED ANTI-SOVIET CAMPAIGN ASSAILED

Moscow PRAVDA in Russian 23 Apr 86 p 4

[Article by PRAVDA correspondent V. Gan; Washington, April: "Their School of Hatred"]

[Text] The mail just delivered a letter to the PRAVDA correspondents' station. There is no return address or last name of the sender. Only by the greasy postmark in the right corner can one guess that it was sent a few days earlier from somewhere in the state of Pennsylvania. A cry spurting hatred in red magic marker ran along the whole length of the white envelope: "Better dead than red." Someone had once again considered it necessary to testify to his ferocious hatred for our country....

In one of his notes which are regularly sent from Washington to THE NEW YORK TIMES, the famous American columnist J. Reston recently informed his readers: "We need lie detectors here." It's difficult to say by which were the words of the patriarch of American journalism dictated more--by bitterness or irony. However, he quickly cleared it up--for forty odd years in Washington Reston cannot recall a period when there originated from here "so much obvious nonsense, so many distortions of facts."

He has accumulated a mass of examples, but in the present case, the columnist specifically has in mind the campaign of anti-Soviet and anti-Communist insinuations, monstrous in the absurdity of its "arguments," which is raging on the shores of the Potomac. What doesn't one hear here! That Soviet proposals to prohibit the testing of nuclear weapons are "one more Soviet trap." And that the Soviet Union is preparing to place nuclear weapons in Nicaragua. And that Moscow and Cuba are a deadly threat to the security of the Western Hemisphere. And that "the red tide" is on the point of overflowing the borders of the United States. And that the U.S. aggression against Libya was evoked by the actions of the USSR.

It is understandable that no one worries about logic, even if it is elementary. They think about other things--how to make the newspaper headlines and television news summaries sound more scathing. How to conceal their obstructionism on the main questions of modern times, how to justify their confrontational line of slander which maintains that it is impossible to trust the Soviet Union in anything, and at the negotiating table--even less so.

For Reston, of course, it is obvious what kind of mockery the organizers of Washington's "theater of the absurd" are making of the common sense of their own people. But what should they feel, what kind of conclusions should be made by those who interpret the "government's voice" with genuine simple-heartedness? Those who think that if the White House calls the USSR an "evil empire," then Hitler was...a Russian. Those who are certain that the USSR consists of Russia, Siberia, and Angola? Finally, those 46 percent of Americans who, according to THE NEW YORK TIMES data, are convinced that Soviet mothers and fathers don't love their children. And if they do love them, then not as strongly as Americans love theirs....

All of this is the product of a "school of hatred" directed against the Soviet Union.

There is nothing new in the idea that the land of the Soviets is a thorn in the side of the ruling American elite. This is understandable and, alas, for America—customary. In the opinion of the "hawks," there is, in general, no place for the Soviet Union on earth, or for communism. As the present administration has repeatedly proclaimed, there is a place on "the ash heap of history." But since the U.S. arms are too short to box with the invincible progress of history, it only remains for them to defame and to pour mud day and night on the social system which is so objectionable and hateful to capital.

Practically everything here, right up to bad weather, is connected with the "intrigues of the Russians." All mass media, the movie industry, and literature are involved in the anti-Soviet deformation of Americans' thinking. A special role is assigned to television which, according to the data of surveys, more than 70 percent of the country's citizens consider their main source of information. "Television means access, and access means power," (over minds and feelings.—V.G.) journalist T. (Sheyls) observes, in no way exaggerating. Having access to essentially every house, malicious anti-Soviet stereotypes poison the consciousness of Americans on an unprecedented scale.

What is the value of the television commercial through which, for example, the fast food chain "Wendy's" foists its opinion onto the television viewers? Imagine a hall filled with gray tobacco smoke, crowded by gloomy, identically dressed people with weak-mindedness written on their foreheads. On the screen a fat woman "commissar" in a shoulder belt and with military decorations in monstrous English presents the "Soviet" clothing models. "Day wear," she roars to the hall, and on the stage appears something formless in a dirty, light blue dress, which looks more like a sack. The audience of half-wits applauds dully.

Funny? No. Sad? Yes. And, of course, it's offensive that in one great country another great country is represented in such a coarse, malicious, and caricature-like aspect.

However, television commercials by a fast food chain cannot even compare with the "shooting" anti-Sovietism which, carrying out a very specific social mandate, is hoisted by Hollywood. "One hundred percent American patriots,"

wrapped in the stars and stripes, destroy "the red villains" according to the whimsical caprices of Hollywood's creators of "dreams and illusions." "Hollywood," wrote the WASHINGTON POST, "rediscovered the evil empire. There's no doubt about this. The Russians are pouring over us in waves, catching us by surprise. For that reason, we jump up from our seats in the movie theaters and applaud when they are destroyed in the end by American valor."

How then can we explain the present explosion of anti-Soviet hysteria? According to the testimony of Americans themselves, the country has not since the times of the raving Senator McCarthy been so inebriated with chauvinism, "hurrah-patriotism" and false civic-mindedness—all orchestrated by the present administration.

The machine of fabricating public opinion in the United States diligently supports the myth of some "instinctive anti-Sovietism" in Americans. Daily life, however, thoroughly disproves this propagandistic myth. Take, for example, the words of the U.S. Assistant to the Secretary of Defense R. Perle, who is considered the "second man" in the Pentagon. Wearing his pathological anti-Sovietism, in the American expression, "on his sleeve," Perle is talking without sophistry. "Democracy (American) is not prepared to make sacrifices to guarantee its security if there is no sense of threat. Every time we give the impression that we and the Soviet Union are beginning to cooperate and our rivalry is beginning to moderate, we undermine this sense of threat."

The conclusion is obvious, especially if one takes into account the fact that Perle reflects the views of the right-wing forces in the United States, of the military-industrial complex. They must force "a sense of threat," they must intimidate their citizens to the utmost with "the Soviet threat," so that Americans unquestioningly support Washington in all of its military undertakings. And it is in no way accidental that in Hollywood forgeries, caricatures of "Russians" hurl from movie screens contemptuous words about how "America has obviously weakened," and "You've lost your will and have become enemies to yourself." Some Americans will see that America in the movies is always "the weakling", and that the "Russians" always surpass the Americans in everything, and the next day those people will go to fight for new increases in military spending.

"Patriotism will not be stifled!" declares Sylvester Stallone, creator and star of the wretched (even according to the local critics) anti-Soviet film "Rocky IV," which broke all box office records. To stifle real patriotism is actually difficult, but it is quite possible to rouse it to the point of absurdity, to the point of dimming the eyes and consciousness. It is especially possible given the essentially complete ignorance the majority of Americans have about the life of the Soviet people, about their history, their aspirations.

It would, of course, be a great injustice not to say that by no means all Americans swallow such ideological poison. The organization "Committee of American Friends in the Service of Society," and a number of other social organizations came out with sharp criticism of the country's anti-Soviet foolishness. "This is especially inappropriate now, when an American-Soviet

meeting has taken place in Geneva. This can do harm to peace and good relations," this committee, in particular, declared.

But, alas, it is not these Americans who determine the moral-psychological situation in the country today. It is formulated by those who fuel the "school of hatred."

Art imitates life, life imitates art. So now in the Texas city of Houston there has been created and flourishes a club of "Rambo" admirers, with officials dressed in camouflage and with a fifty caliber automatic on the wall. And now the Boston police find a hand grenade in the stadium at a friendly match between our hockey team from "Dynamo" and the "Boston Bruins." And now telephone calls to Soviet institutions in the United States breathe hatred with threats of violence. It is really apparent, Peter Zhutlin wrote in the newspaper PHILADELPHIA INQUIRER, that "in spite of all the good will engendered by the Geneva meeting, many here still perceive for themselves a threat in the fact that the Soviet and American people are uniting their efforts in the name of preventing a nuclear war."

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EASTERN EUROPE

BULGARIA'S FILIPOV ON BCP CONGRESS

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(signed to press 6 Jun 86) pp 3-8

[Article by Grisha Filipov, Bulgarian Communist Party Central Committee Politburo member and secretary: "The Strategy of Development Along an Ascending Line"]

[Text] The 13th Congress of the Bulgarian Communist Party has become an important event in the country's life. Directed into the future, it has rendered the party program for the construction of developed socialism (Footnote 1) (Adopted at the 10th BCP Congress in 1971--Editor) under the new domestic and international conditions more concrete and richer, and has outlined a long-term strategy for the further all-round upsurge of the People's Republic of Bulgaria.

The congress was held at a high ideotheoretical, organizational, and practical level, under the conditions of wide publicity, creativity, and social optimism, in a spirit of exactingness, criticism, and self-criticism. It has confirmed the correctness of the policy pursued by the BCP. Its work was remarkable for the wealth of fresh ideas and for an innovative attitude to the formulation and settlement of imminent problems. The forum of the Bulgarian communists has demonstrated our party's Marxist-Leninist maturity and the consistency of its profoundly class internationalist peaceful foreign policy.

The congress approved the BCP line at all-round cooperation and rapprochement with the CPSU and the Soviet Union which has entered a qualitatively new zone of development, at improving full-blooded and fruitful relations with the socialist countries, and at the further consolidation of our fraternal community.

In essence, the 13th Congress has marked the beginning of a new stage in implementing the party's general line approved at the April 1956 Central Committee Plenum. Under Comrade T. Zhivkov's direct leadership, 30 years ago we overcame the difficulties brought about by the personality cult and subjectivism, restored the Leninist principles and norms of party life and leadership, faced objective regularities in the economy, politics, and in all spheres of life, the needs and demands of the Bulgarian people. This opened broad fields for speeding up the country's development.

In 1956-85, the volume of fixed assets in the national economy increased tenfold, communal labor productivity 8.4 times, the national income eightfold, the average annual wages and salaries of workers and employees 3.3 times, the population's real incomes 4.3 times, and communal consumption funds 12 times. The socialist way of life consolidated, culture, science, and education developed, the processes helping each member of socialist society turn into an all-round developed personality continued, and socialist democracy expanded and strengthened. The consciousness and behavior of millions of people was increasingly shaped by Marxism-Leninism and by the integral social theory of the new system.

A remarkable place in these achievements belonged to the eighth 5-year period (1980-85). Notwithstanding the unfavorable natural and climatic conditions and the subjective shortcomings in management, in that period we were again among the world's leading countries in the growth rates of the national income. This was precisely what enabled us, in the last 5 years, to raise the per-capita real incomes 19.5 percent and the volume of communal consumption funds 31 percent, and to build 343,000 new apartments. The working people's earnings rose by an average of 17 percent, while the rates of minimum earnings went up 20 percent, the starting earnings of young specialists with secondary and higher education increased 20 percent, those of physicians, teachers, and machine operators in agriculture 25-30 percent, and those of miners and power industry workers 40 percent. Long-service and old-age pensions increased, particularly for peasants. Compared with 1980, allocations for pensions increased 42 percent. Allowances for children increased 30 percent, and paid maternity leaves were prolonged to two years. In the past 5 years, retail commodity turnover went up 21 percent. Working conditions improved. Further development was given to the sphere of consumer services, medical services, to the organization of recreation for the working people, mass physical culture, sports, and tourism.

All this is evidence that Bulgaria has renewed both materially and spiritually. The decisions of the 13th Congress have enabled the republic, in a historically short time, to become a highly developed socialist state capable of responding in a worthy way to the challenges of the 21st century.

Problems concerning the scientific-technical revolution were in the center of the congress proceedings. T. Zhivkov said from the congress podium: "The main thing for us now is to carry out the scientific-technical revolution, to develop on this basis the advantages of the socialist social system, of socialist democracy, and to meet to an ever fuller extent the material, social, and spiritual needs of the people (Footnote 2) (T. Zhivkov, The Opening and Concluding Speeches at the 13th Party Congress, Sofia, 1986, p 6). The goal which we have set for ourselves is not to catch up with any country in science and technology, but to reach advanced lines in this field. This is our line, this is the party's new socioeconomic strategy for developing the country in the period up to 1990 and the year 2000.

In the center of this long-term national strategy, there is the question of pace. The task set by us is to accelerate socioeconomic development, to dynamize it, and to go in step with the advanced socialist states not only in quantitative, but also qualitative indexes. By 1995, the national income and

the productivity of communal labor will increase 2-2.5 times, and by the year 2000, 3-3.5 times. High rates are now the main condition for the accelerated construction of socialism in the country. These rates should reflect the line taken at carrying out the scientific-technical revolution, and they will determine in the nearest future how the advantages of the socialist system will be manifested. Consequently, the strategic issue of the pace is not only of economic, but also of political, ideological, and social importance. Its settlement calls for deep qualitative changes in production and in the entire social organism, calls for restructuring in all fields--in the economy, politics, culture, the way of life, and in the sphere of social management.

The party attaches much importance to the shaping of an intensive type of the recreation process. The point is to make maximum use of what we have and what is there in the economic turnover, as well as to save more raw and other materials, more fuel and energy in line with the world's leading achievements in this field. At the same time, it is essential to create a qualitatively new raw material and energy base in the country.

Our progress will be driven by the accelerated development of science and by its closer relations with production. What we intend is to turn science into a universal productive force irrepressibly driving forward all spheres of social life. In line with the selective attitude worked out by the party, efforts will be concentrated mainly on the spheres of science most closely linked with the development of those economic branches which are determinant for the structure, and with our participation in the international division of labor.

It is essential to substantially strengthen the material base of science, to improve its organization and management, to bridge the "no-man's-land" between scientific-technical elaborations and their practical application, and to continue the line aimed at an even closer link with the scientific-technical potential of the Soviet Union.

The contemporary scientific-technical revolution is primarily the technological one. In proceeding from this point, the 13th Party Congress has mapped out one single concept for a comprehensive technological renewal, a concept that envisages the necessary growth of the national income and labor productivity, and the increased profitability of the entire economy. What matters is not simply to replace obsolete machines and technologies, but to renew the obsolete principles of production. An unprecedented transition is now in progress from mechanical to non-mechanical technologies. This is why we give priority to technologies which are capable of radically reducing energy consumption, of ensuring the production and application of new materials, as well as to electronics and biotechnology.

Renewal in this field of science and technology is inseparable from the structural policy which will enable us in the ninth 5-year period and up to the year 2000 to make important changes: It will switch over industry to science-intensive production which requires little energy, raw and other materials, which will sharply rise automation in production, will make production more elastic and adaptable, and will make the technological chains of the combined

production more effective. It is essential to rapidly develop new strategic methods which ensure in production the highest technical and economic parameters. Such an attitude signifies that achieving the world's standards in everything and everywhere should be the main criterion of our progress.

The role of machine building will grow constantly. Its most progressive branches will develop at accelerated rates. Much attention will also be paid to the chemical industry, metallurgy, and energy production.

The continued development of the scientific-technical--or "green"--revolution has also been envisaged for agriculture. This revolution should enable us in the immediate future, speaking figuratively, to feed not one, but two or three Bulgarians.

The system of capital investments, planning, and the process of construction itself will be fully subordinated to the needs of the scientific-technical revolution and to the new pace of our progress.

The main guidelines approved by the 13th Congress for economic and social development have envisaged conditions for raising, by the end of the current century, the country's material-technical base to a new level maximally corresponding to mature socialism, and to draw the level of communal labor productivity close to the world's highest one.

All this will further develop foreign trade and external economic relations. Our main efforts will be used primarily to implement the decisions of the Moscow 1984 economic summit of CEMA member-states, as well as the comprehensive program for scientific-technological progress up to the year 2000. The realization of the theses set forth in the collectively agreed documents will allow the fraternal countries to deepen and cooperate production, to expand and to strengthen direct economic links, and to continue to create enterprises shared with the socialist partners and primarily with the USSR. Cooperation with developing countries will expand. We are also interested in mutually advantageous links with industrially developed capitalist states, including in production cooperation.

Solicitude for man and his good is the beginning and the end of all the BCP's acts. The point was to meet the basic vital needs of people. Irrespective of their sexes, confessions, and nationalities, our people to a full and equal extent enjoy such political and social rights as, say, the right to work. The high achievements in the social sphere enabled the 13th Party Congress to set in this respect new goals, and to plan for this sphere a further progress implying a qualitative new level of social policy. It entails the comprehensive evaluation of how a personality proves himself in all interconnected spheres of social life, and what progress has been made in the process of rising material and spiritual needs of people and of their satisfaction. In other words, social policy will include everything that helps the personality to improve and to grow spiritually. As a result of implementing this policy, people--year in and year out, and from generation to generation--will increasingly turn from an object of state and society's solicitude for their all-round development into a subject of this multiform process of self-perfection, and this will allow people to more fully display and use their various possibilities.

This social policy proceeds from the assumption that it will be actively pursued by the toilers, by the creators of the new system who fully enjoy all the system's advantages. This policy "links in a concrete and tangible way what man gives to society with what he receives from it" (Footnote 3) (*Ibidem*, p. 27). Its objective is to promote and improve the socialist way of life, comradely and collectivist relations among people. This is the only attitude that ensures full manifestations of the human factor as a driving force in all-round progress.

We shall also continue to promote the highly important principle of socialist society, the principle for which this society has been created and is developing, the principle of social justice. In the PRB, people have become equal in their relation to the means of production and to labor as the source and general measure of their incomes. The economic basis of man's exploitation by man has been eliminated. In contemporary socialist Bulgaria, people stand side by side, and do not confront each other.

The principle of social justice will continue to be applied mainly in the sphere of dividing material goods in accordance with the quantity and quality of work contributed by each member of society, and this is incompatible with a levelling tendency, with infringements of socialist property, and with unearned incomes. The struggle against these negative phenomena will be waged not sporadically as a single campaign, but as part and parcel of the party's and state comprehensive activity aimed at creating conditions which meet the aforesaid requirements. Labor contribution is a criterion clearly distinguishing an honest citizen and laborer from the unscrupulous one. Each one must hold in society the place which he has won by his personal qualities and deeds.

In connection with this, the stimulating and mobilizing role of wages has significantly increased. Under the wage system created now, the fund of wages will depend on the end results of the labor collective's combined activity, and an individual earning will correspond to the real contribution made by each individual worker.

At the same time, fuller use will be made of the increasing communal funds of consumption, including various kinds of state allowances and payments to citizens. These funds will help equalize the conditions of various social groups and sections of society and will be used, to a significant extent, in proportion to social needs. However, their expansion must not hinder the effectiveness of the principle of material interest. The congress documents indicate that the working people's material and cultural needs will be ever more fully and comprehensively met primarily in step with their growing purchasing power. In other words, the growing standards of prosperity will primarily depend on man's labor earnings. And for this purpose the latter must raise labor activity, must aspire to work better, and must display his creative abilities. Material interest effectively stimulates this attitude to work.

We want to invigorate science and to increase the population's ability to work and possess creative longevity. In the near future, the needs for housing will be met more fully, and this will play its role in this respect. "Health shops," which are being created at enterprises and educational establishments, will constantly watch the physical conditions of people in

order to keep them by various means, from physical culture to medical preventive measures, at a proper level. The "health shops" will help coordinate the activity of medical and economic establishments and organizations in charge of labor protection, recreation, physical culture, sports, and tourism. Measures have been envisaged to improve the demographic situation in the country--to substantially raise the birth rate and to consolidate the role of the family. Comprehensive treatment will also be given to imminent youth problems involving young people's living conditions and opportunities to display their forces and abilities.

The 13th BCP Congress has called to raise the spiritual life of socialist society to a new level. This process will be remarkable for the integration of science, culture and education on the basis of their organic unity in goals and tasks.

Having stated that artistic creativity would become an ever more active factor of all-round social progress, the congress emphasized: Communist ideological content, class and party criteria, socialist humanism, and historical optimism are to be further promoted and deepened in art and literature. The rising ideological level in art and literature is to be organically combined with the further consolidation of the principles of socialist realism in them, with the growing professional mastery of creative workers, and with the expanding variety of art styles and fashions.

The congress has also set responsible tasks for education. Its main objective is to train for the country cadres deeply convinced in the rightness of communism, able to actively carry out the scientific-technical revolution, and on this basis to accelerate Bulgaria's socioeconomic and spiritual development.

The new strategy traced by the 13th Congress for an all-round upsurge envisages radical changes in the basis and in the political superstructure of society. In the period under review, the BCP Central Committee theoretically and practically elaborated a number of important problems concerning socialist construction, including the perfection of mutual relations between the state and the labor collective as the managers of socialist property; the increasing role of direct democracy in the system of socialist people's sovereignty; the further expansion of the elective and the competitive principles in promoting cadres to various levels of social management; expanding and enriching the rights and obligations of individual people, labor collectives, and low-level production links; the ways of promoting personal activity in the sphere of management; and so forth.

The new stage of social development is remarkable for increasingly developing socialist democracy and for its rising effectiveness. What is meant here is not simply the working people's participation in management, but "self-management, a new historic step forward on the way of transforming the working man and labor collective from an object into a subject of social management." (Footnote 4) (Ibidem, pp. 32-33). Our goal is to provide conditions for a gradual transition from "rule on behalf of the people" to rule exerted by the people themselves. We have adopted a new labor code which assigns a great role to the principles of management within labor collectives. Its novelty consists in the fact that the general meeting of workers and

employees (or meetings of representatives), economic councils, and brigade councils are no longer consultative organs under leaders of enterprises and institutions, but bodies commissioned to run enterprises and institutions along with the administration. In this way, unified management has been more fully combined with collectivism.

New elements have also been added to the consistent implementation of democratic centralism in management. While quantitatively and qualitatively enriching the single one socialist ownership which constantly develops, our society has set for itself the innovating tasks to consolidate the importance of central management links in formulating and settling strategic issues, and at the same time to provide all conditions necessary for the succeeding management levels to work fully on the basis of socialist self-management.

This signifies that, in running socialist property entrusted to it and in accomplishing the task set for it by the state, each link or organization of this kind possesses all the rights to adopt independent decisions necessary to plan and develop production, to carry out scientific research works and experiments and to apply their results in practice, to market products, and so forth. In this way, in social practice we will be guided by V.I. Lenin's idea: "Interpreted in a truly democratic sense, centralism presupposes the possibility for the first time provided by history to fully and unimpededly develop not only local peculiarities, but also local undertakings, local initiatives and varieties of ways, methods, and measures in progress toward the common goal" (Footnote 5) (V.I. Lenin, Complete Collected Works, Vol. 36, p. 152).

Self-managing economic organizations will be an engine in our economic activity. In order to eliminate what hinders their work, what fetters it, the upper echelons of state administration have been radically restructured. Organs which are new in principle have been set up under the Council of Ministers to replace a whole number of ministries: the Economic Council, the Social Council, and the Council for Science, Education and Culture. They are not engaged in operative management. Neither are they superministries. They are the Council of Ministers' auxiliary organs making it possible to correctly combine centralism with democratism, and to effectively pursue state policy in line with the needs and interests of the entire national economy, and not with departmental and parochial needs and interests.

This is the basis on which self-managing economic organizations will shape their mutual relations along the horizontal and vertical lines, and this will allow them to come out in the quality of real manufacturers of goods in the entire chain of reproduction. Conditions will thus be provided for making more consistent use of money-exchange relationship; for combining more correctly in economic practice the law of prime costs with the law of plan-governed proportional development; and for making real use of the plan in its capacity of guiding instrument for social processes under the conditions of a socialist market.

Socialist goods manufacturers will be able to arrange among themselves authentic economic competitions and, by means of such competitions, to eliminate, both inside the country and on the international market, as T. Zhivkov

figuratively said, the hothouse conditions under which they work. Each enterprise will then be able to strive to contribute its maximal part in achieving high rates in socioeconomic progress.

In setting these new problems concerning improvements in the system of our management, problems--when they are considered more widely--involving people's sovereignty as a whole, there will remain the key necessity to continue to consolidate the socialist state and to ever more fully manifest its democratic essence. The 13th Congress voted the vital importance of bringing the legislative power closer to the executive one, of perfecting representative and direct democracy and of combining them more harmoniously, and of enriching the functions of the National Assembly, of the State Council, the Council of Ministers, and people's councils. Particular attention has been paid to improvements in the activity of the Patriotic Front, trade unions, and the Dimitrov Communist Youth League. Provisions have been made to further boost their importance as public guarantors in the pursuit of the party's new socioeconomic strategy connected with carrying out the scientific-technological revolution, with further promoting the role of the laborer and the labor collective, and with developing socialist democracy.

Having highly evaluated the part of the Bulgarian National Agrarian Union in the construction of mature socialism and in the consolidation of the people's moral and political unity, the congress expressed the firm confidence that this party would continue to be the BCP's loyal ally in running the country and in socialist creation.

The deep changes provided by the party forum for society's basis and superstructure call for an economic mechanism new in principle which corresponds to the new requirements which were referred to above. Besides, the state's influence, economic conditions and norms are expected to arouse among economic units "craving" for scientific-technological progress, the aspiration to reduce labor, material, and energy outlays, and to set high economic targets at the stage of shaping the plan.

As we can see, the point is not only to make simply organizational and structural changes, but also to provide more mature production relations which would ensure much room for the manifestation of objective regularities of society built in the country and of the scientific-technological revolution, to reveal and utilize the enormous reserves and advantages of real socialism. What matters in essence is a great economic reform necessary for the further all-round development of the country.

The 13th BCP Congress has also marked a new stage in the development of the party itself. This applies to the consolidation of its unity, to the increased directive role in society owing to the intensified scientific and reformatory character of the party leadership, to improvements in internal party life, particularly through deepening its democratic principles, and to the invigoration of ideological activity. As it follows from the congress materials, it is essential to introduce qualitatively new elements into the forms, methods, and style of party work. Particularly important in this respect is the political attitude to decision-making in all spheres of social life.

In restructuring party work, we shall rely not on the expansion and consolidation of directive methods, but on intensifying the scientific substantiation of the work performed by central party organs, on developing the initiative of party committees and organizations, and on the attentive examination of the working people's opinion.

The party's leading role will increase primarily through the rising importance and responsibility of its low-level links and through even greater invigoration of their practical work. Each communist should contribute as actively as he can toward the implementation of the BCP's socioeconomic strategy.

The congress has traced a line aimed at improving work among leading party and state cadres. It has been emphasized that, in cadre selection and distribution, it was essential to more actively rely on long-term plans for party activity and to regard this activity in all its complexity, to work among the reserves, to be consistent in renewing and replacing leading cadres, and to recall those who failed to justify confidence invested in them.

In making radical changes in the basis and superstructure of society and in improving its activity, the party attaches much importance to active and offensive ideological work. The main task set by the congress in this sphere is to promote the role of the human factor in all spheres of life. It is important to shape among people a clear idea what scientific-ideological and social progress means for each man. At the same time it is essential to keep pure our ideas and ideals, to continue to fight the vestiges of the past, negative phenomena, and a formal and callous attitude to the discharge of one's labor and public obligations. The task now confronting all state organs, all social forces and organizations is to foster responsibility, order, and discipline.

The party strategy approved by the 13th Congress is a strategy of peaceful development. Anyone may judge from it our inflexible will to continue to be in the front ranks of the planet's anti-war front. While completely supporting the CPSU's peace program and the new peaceful initiatives of the Soviet Union and other Warsaw Pact member-states, we will continue to contribute our part to eliminating the threat of a nuclear war, to disarmament, detente, in the consolidation of international security, to improving the situation in the world, and to developing equal and mutually beneficial relations among all countries.

The congress has confirmed once again that our foreign policy was and is based on the fraternal alliance and close cooperation of the Bulgarian Communist Party and the People's Republic of Bulgaria with the Communist Party of the Soviet Union and the Union of Soviet Socialist Republics. In approach to the main directions of domestic and foreign policy, our party adheres to the same positions to which the CPSU adheres. One of the most important lines in the foreign political activity of our party and state is to strengthen the unity and cohesion of the socialist community, to deepen and to enrich friendship and all-round cooperation with the parties and peoples of the countries integrated in this community.

An important place in this activity belongs to Bulgaria's relations with Balkan countries. On our peninsula, we will continue to support by all means the climate of mutual understanding, constant political dialogue, including at the summit level, will continue to strive to implement initiatives aimed at transforming the Balkans into a zone free from nuclear and chemical weapons, and will advocate the conclusion of wide bilateral agreements with the neighboring countries, agreements which would also include a code of good-neighborly relations and understandings on the ecological defense of the region.

In its foreign policy, Bulgaria attaches great importance to the expansion and deepening of cooperation with developing countries, particularly with those which have chosen the socialist orientation. We also will invariably continue the policy of peaceful coexistence with developed capitalist states.

In its relations with communist parties, the BCP firmly adheres to the principle of proletarian internationalism which organically combines revolutionary solidarity with respect for full independence and equality of parties. We are in favor of constantly deepening mutual relations promoting unity in the international communist movement, in favor of strengthening solidarity with various streams within the workers movement, in favor of all-round cooperation with socialist, social democratic, and agrarian parties, with revolutionary democratic, national liberation, anti-war, and anti-nuclear movements, with international, trade union, youth, and women's organizations. What obliges us to this is the command of the epoch: to preserve and to strengthen peace.

Only under a peaceful sky and under the guidance of the Bulgarian Communist Party will the millions of our country's people accomplish the great socio-economic tasks set by the 13th Party Congress, and only thus will they win new and even more significant victories on the way to the great cherished goal--communism.

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EASTERN EUROPE

USSR -CZECHOSLOVAKIA: ECONOMIC COOPERATION 1986-90

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[Article by Yuri Gavrilov, executive secretary of the Soviet part of the Soviet-Czechoslovak Intergovernmental Commission on Economic, Scientific and Technical Cooperation: 'USSR-Czechoslovakia: The Course of Cooperation in 1986-1990']

[Text]

Economic, scientific and technical cooperation between the USSR and socialist Czechoslovakia last year reached a new, qualitatively higher level. This was enlivened by the contacts between the state and managerial leaders of the two countries at various management levels, by the successful realization of the economic agreements in force, and by the signing of fresh agreements that substantially expand the framework of economic cooperation in the near and far distant future. In accordance with the decisions of the CMEA Summit Economic Conference, much work was done on coordinating economic policy of the USSR and Czechoslovakia.

As a result of the joint activities by both sides' competent bodies, specific measures for realizing the understandings on fundamental questions of Soviet-Czechoslovak economic relations were settled during meetings of M.S. Gorbachev, General Secretary of CPSU Central Committee, with G. Husak, General Secretary of the CPC Central Committee, the President of Czechoslovakia, and in the course of talks held by the heads of the Soviet and Czechoslovak Governments. Implementation has been started of many of the provisions contained in the Long-term Programme for the Development of Economic, Scientific and Technical Cooperation between the USSR and Czechoslovakia for the period ending in the year 2000 signed in Moscow, May 1985.

The prospects for developing Soviet-Czechoslovak economic, scientific and technical cooperation were considered by the Sides when coordinating national economic plans of the USSR and Czechoslovakia for the current five-year plan period and, in some of the crucial spheres

of mutual cooperation, for longer periods as well.¹ During this coordination competent bodies of the two countries mapped out the main aspects of the USSR and Czechoslovakia cooperation in the field of the economy, science and technology at the present stage with the object of facilitating successful accomplishment of the most important tasks pertaining to the socio-economic development, acceleration of scientific and technological progress, intensification of social production and raising its efficiency, substantial saving of material resources.

During the past five-year plan period (1981-1985) the two countries' trade turnover grew considerably and exceeded 55,000 million rubles. Of major importance is the fact that the Soviet Union satisfies around 10 per cent (and Czechoslovakia—20 per cent) of its import requirements for mechanical engineering products through the mutual goods deliveries.

Attaching great importance to interaction in accelerating scientific and technological progress, the Sides considered it necessary to achieve greater scientific, technical and economic cooperation, to expedite the introduction of the results of R&D into production and on this basis expand the mutual deliveries of goods, above all, of high-class machinery and equipment and chemical products.

The two countries' needs for imports and their export possibilities were examined in great detail, and that examination resulted in pinpointing the content and amounts of mutual deliveries for the 1986-1990 period. The agreed lists of goods are of great importance for the further stable economic development of the USSR and Czechoslovakia. The volume of Soviet-Czechoslovak deliveries in the current five-year plan period will go up, as compared with the previous five-year period (1981-1985), by 30 per cent and be more than 73,000 million rubles.

The basis for developing Soviet-Czechoslovak economic cooperation is still deeper integration in the engineering sector. Deliveries of Soviet mechanical engineering products to Czechoslovakia in 1986-1990 will rise, above those in the previous five-year period, by 43 per cent, and from Czechoslovakia to the USSR, by 30 per cent.

The most important aspect of cooperation in mechanical engineering is the further development of specialization and cooperation in production, this being the main form of cooperation aimed at fuller meeting the needs of both countries for modern machinery and equipment, at improving the structure and effectiveness of production, and at eliminating non-rational import of machinery and equipment from the capitalist countries.

In 1986-1990, in force between the Soviet Union and Czechoslovakia will be about 30 intergovernmental and interdepartmental agreements on specialization and cooperation in production in the field of mechanical engineering.

On the basis of the proved advantageous division of labour, Czechoslovakia will export to the USSR main-line passenger electric locomotives, highly efficient and reliable tram-cars and trolley-buses, technical river vessels, hydraulic and refrigerating equipment for the oil-producing and refining and chemical industries, Tatra cross-country dump-trucks, Avia trucks, refrigerator vehicles, diesel engines, metallurgical equipment, modern metal-working flow lines, machine-tools, forge and press equipment, processing machines for the light and food industry, products for the electrical engineering and electronic industry, and computer facilities.

Czechoslovak organizations will assist in the reconstruction and modernization of the Balashov raincoat material complex, hosiery mills in Dushanbe and Riga, the Burevestnik footwear factory in Moscow, and a tannery in Kiev. Technical assistance will be rendered in modernizing a number of other enterprises in the Soviet light and food industries through carrying out design work, delivering complete sets of equipment and supervising its assembly.

There will be a considerable increase in Czechoslovak deliveries of equipment for the USSR agro-industrial complex, especially for the production of carbamide and ammonia and for the food, dairy and meat industry.

Czechoslovak deliveries will grow of sprinkling systems, farm machines, apparatus for agro-laboratories, agricultural controlling systems, etc.

Deliveries from the Soviet Union to Czechoslovakia of mining equipment, motor cars, road-building machinery, powerful tractors, agricultural machines, metal-cutting lathes, machine tools, aviation technics, electronic products and computer facilities will continue.

The Soviet Union will considerably increase its volume of technical assistance to Czechoslovakia through deliveries of complete equipment. The Soviet-Czechoslovak understandings in this respect are reflected in the January 20, 1986 Agreement between the Governments of the USSR and Czechoslovakia on cooperation in the construction, reconstruction and modernization in 1986-1990 of industrial enterprises and other projects in Czechoslovakia.

The main endeavour of the USSR technical assistance to the Czechoslovak Socialist Republic in 1986-1990 will be the continuation of building in Czechoslovakia a num-

ber of nuclear power stations. Cooperation ties in the field of nuclear power engineering, as well as the mutual deliveries of equipment for nuclear power stations are scheduled for further development.

Soviet-Czechoslovak cooperation in the iron and steel industry will concern the reconstruction and modernization of enterprises in this industrial sector which were built earlier with Soviet technical assistance, with the object of raising equipment productivity, of substantially improving the output quality and of introducing modern technological processes. Cooperation between the two countries will go on in the construction of the Prague underground railway, of projects in chemical and oil-refining industries, the pulp and paper and other industries.

Special attention during the coordination of the plans was paid to raising the technical level and quality of the machinery and equipment in the stage of manufacture. Measures have been elaborated for improving the technical and economic parameters of more than 160 kinds and types of mutually delivered equipment with the object of raising labour productivity, reliability, durability, and of lowering labour inputs, specific material consumption and the adverse influence of production on the environment.

Considerable work has been also carried out on reducing unjustified import of machinery and equipment from the capitalist countries. Agreed mutual deliveries of engineering products include 69 kinds and types of machinery and equipment worth a total of about 3,000 million rubles that can replace imports from the above-mentioned countries.

In order to expand capacities in the fuel and power branches of industry, the Soviet Union and Czechoslovakia have agreed to cooperate in developing the Yamburg gas-field and in building the Yamburg—the USSR western border gas pipeline,² the Krivoy Rog mining and concentrating complex and other enterprises in the USSR.

The sides take the view that the putting of these projects into operation will make it possible to expand, starting from 1989, the deliveries of natural gas to Czechoslovakia and help satisfy its needs for ferriferous raw materials.

The current five-year period will see a considerable expansion of Soviet-Czechoslovak cooperation in the chemical, petrochemical and pharmaceutical industries. The sides have agreed to prolong the present agreements and prepare new ones on specialization and cooperation in production. Realization of this understanding will enable the mutual deliveries of mineral fertilizers, chemical plant protection agents, medical preparations, and of

some kinds of petrochemical products output to be increased.

The signing of an intergovernmental agreement on specialization and cooperation in the production of certain chemical additives for the rubber industry was a substantial step forward in the sphere of deepening integration with the help of this progressive form of cooperation. This agreement has the purpose of satisfying the two countries' requirements for the said chemical products and of cutting down their imports from the third countries.

To meet more fully the needs of cooperating countries for some chemical products, the planning bodies of the USSR and Czechoslovakia together with the interested ministries will continue to coordinate capital investment for setting up new capacities in the chemical industry even after the year 1990.

After the achieved understandings are realized, the Czechoslovak export of chemical products to the Soviet Union will in 1990 be 20 per cent higher than in 1985.

When coordinating the plans much attention was also paid to the mutual deliveries of consumer goods. In the current five-year plan period, there will be a substantial rise in the deliveries to the USSR of furniture cloth, clothing, knitted goods and other textile articles. The proportions of fashionable and high-quality products in the deliveries will rise as well. The Soviet Union will continue its shipments to Czechoslovakia of electric household appliances and other durables in wide demand in that country.

The sides agreed that in 1986-1990 there would be around a 1.5-fold rise in the deliveries from Czechoslovakia to the USSR of some food products, primarily meat, canned meat, and dressed poultry over and above those in the previous five-year plan period.

The sides decided to continue work on expanding and improving their transportation ties. The respective ministries in the USSR and Czechoslovakia are all set to carry out a number of measures for increasing the traffic capacity of the connecting international railway lines and crossings, including the new Matevce-Uzhgorod II crossing, and for using, as far as possible, the 1,520 mm gauge railway track in Czechoslovakia to the city of Košice.

Measures have been worked out that will assure wider use of river transport (on the Danube) and automobile transport in foreign trade traffic, increase the amounts of freight shipped in large-capacity containers, in packages and on pallets, and secure the bulk transport of liquid chemicals. Measures have also been taken that will facili-

tate the movement of transit freight through the territories of each other's country.

Guided by the understanding on making the work of the coordination of the state plans permanent, the sides have agreed that the Soviet and Czechoslovak planning bodies will continue their work on elaborating prospective projects that are instrumental to the further development and deepening of the mutual economic, scientific and technical cooperation. Specifically, this concerns such questions as mutual coordination of the development plans and capital investment in the cooperating branches of the national economies in the USSR and Czechoslovakia, greater direct interaction of organizations and enterprises in the sphere of material production, further directions and necessary prerequisites promoting the manufacturing industry's specialization and cooperation in production, coordination of the planned development of individual branches in the engineering complex.

The Soviet-Czechoslovak Intergovernmental Commission on Economic, Scientific and Technical Cooperation at its meetings considers and takes decisions promoting interaction of the two countries' economies. At its 26th session in 1986, it approved practical measures for realizing the Programme for Long-Term Economic, Scientific and Technical Cooperation between the USSR and Czechoslovakia for the Period up to the Year 2000. Specifically, it endorsed a plan for broadening specialization and cooperation in production, for developing direct production ties, for increasing the mutual sales turnover and technical assistance. The Commission appointed persons responsible for every measure taken, specified tasks and dates for the signing of bilateral documents and the periods for their realization.

The Commission also adopted measures assisting the fulfilment of the Comprehensive Programme for Scientific and Technological Progress of the CMEA Member-Countries up to the Year 2000. It instructed the subcommission on scientific and technical cooperation to concentrate on solving problems arising from the Comprehensive Programme and supervise all activities to do with priority complex intersectorial and crucial sectorial scientific and technological problems occurring in the multilateral cooperation.

Participating ministries and sectorial bodies on science and technology were set the task of conducting an analysis of the technical level and quality of the mutually exchanged engineering products. The Commission considered and approved a list of machinery and equipment with higher technical indices and economic parameters to be delivered during 1986-1990 and a list of machinery and

equipment to be produced that would reduce inexpedient import from the capitalist countries which the planning bodies of the two countries had prepared.

Also considered were questions concerning the creation of Soviet-Czechoslovak joint production associations. Planning bodies of the two countries were entrusted with negotiating and drawing up a draft intergovernmental agreement on instituting such associations, and a draft statute on the main principles underlying their formation and functioning. Ministries cooperating in the heavy and transport engineering industry, in the electrotechnical, automotive and electronic industries were directed at preparing draft agreements dealing with the setting up of production associations, as well as draft statutes of associations and draft production programmes.

Proceeding from the principled understanding of the sides on imparting a permanent character to the coordination of state plans, it was recognized as expedient for planning bodies to hold annual consultations, specifically to discuss general questions on the coordination of plans and on cooperation in mechanical engineering and chemical production.

To assure foreign trade traffic between the USSR and Czechoslovakia to the agreed amounts, the Commission specified tasks for the transport and foreign trade ministries, particularly measures which would guarantee shipping in the first half of the year not less than 52 per cent and in the first three quarters of the year—77 per cent of the annual goods traffic and transporting 63,000 cargo units in large-capacity containers in both directions. The Commission specified the volume of traffic through border crossings and outlined measures for perfecting cargo handling technology in the Danube ports.

The Commission drew attention to the need to eliminate the delay in the agreed schedule concerning the preparation and signing of agreements on the specialization and cooperation in production after 1985 and ordered the sectorial ministries of the USSR and Czechoslovakia responsible for the lag to complete the work in the quickest time.

At the sitting questions related to the further expansion of cooperation in the electronic industry were considered. Ministries of the USSR and Czechoslovakia were commissioned to elaborate a bilateral cooperation plan aimed at accelerating the solution of problems involved in more widely introducing electronics into the national economies as envisaged in the Comprehensive Programme for Scientific and Technological Progress of the CMEA Member-Countries up to the Year 2000. A timeschedule was also agreed for organizing the cooperated

production and mutual shipments of video tape recorders, colour picture tubes, special technological equipment for the electronic industry, of a new generation of colour TV sets, digital laser record players, portable stereo radio-tape recorders and other household radioelectronic apparatus.

During the meeting protocols on prolonging agreements on specialization and cooperation in production in the chemical, oil and petrochemical industries beyond 1985 were signed.

¹ The Protocol on the coordination of the national economic plans of the USSR and Czechoslovakia was signed in October 1985.

² The intergovernmental agreement on cooperation in this field was signed December 16, 1985.

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